

CITY OF PATTERSON, LOUISIANA

Financial Report

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 budgetary comparison schedules on pages 62 through 64, schedule of changes in total OPEB liability and related ratios on page 65, schedule of employer's share of net pension liability on page 66, schedule of employer contributions on page 67, and notes to required supplementary information on pages 68 and 69 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information on pages 71 through 92 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 27, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PATTERSON, LOUISIANA

Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,059,607	\$ 275,367	\$ 1,334,974
Interest-bearing deposits	4,359,466	788,179	5,147,645
Investments, at fair value	933,220	332,380	1,265,600
Receivables, net	221,606	493,017	714,623
Due from other governmental units	78,443	-	78,443
Internal balances	2,061,987	(2,061,987)	-
Prepaid insurance	19,297	19,114	38,411
Total current assets	<u>8,733,626</u>	<u>(153,930)</u>	<u>8,579,696</u>
Noncurrent assets:			
Restricted assets	-	437,484	437,484
Capital assets:			
Land and construction in progress	7,620,195	164,225	7,784,420
Depreciable, net of accumulated depreciation	6,268,079	1,804,896	8,072,975
Total noncurrent assets	<u>13,888,274</u>	<u>2,406,605</u>	<u>16,294,879</u>
Total assets	<u>22,621,900</u>	<u>2,252,675</u>	<u>24,874,575</u>
Deferred outflows of resources related to pensions	<u>429,856</u>	<u>207,866</u>	<u>637,722</u>
LIABILITIES			
Current liabilities:			
Bank overdraft	44,258	9,636	53,894
Accounts and other payables	569,157	144,849	714,006
Accrued interest payable	51,404	-	51,404
Capital lease obligation, current portion	87,479	12,872	100,351
Bonds payable, current portion	400,000	-	400,000
Total current liabilities	<u>1,152,298</u>	<u>167,357</u>	<u>1,319,655</u>
Noncurrent liabilities:			
Customers' deposits payable	-	437,484	437,484
Net pension liability	1,427,377	625,045	2,052,422
OPEB Liability	592,124	171,058	763,182
Capital lease obligation, net of current portion	253,029	39,137	292,166
Bonds payable, net of current portion	4,855,000	-	4,855,000
Total noncurrent liabilities	<u>7,127,530</u>	<u>1,272,724</u>	<u>8,400,254</u>
Total liabilities	<u>8,279,828</u>	<u>1,440,081</u>	<u>9,719,909</u>
Deferred inflows of resources related to pensions	<u>218,943</u>	<u>37,742</u>	<u>256,685</u>
NET POSITION			
Net investment in capital assets	8,292,766	1,917,112	10,209,878
Restricted for:			
Debt service	1,544,152	-	1,544,152
Other purposes	4,817,732	-	4,817,732
Unrestricted (deficit)	(101,665)	(934,394)	(1,036,059)
Total net position	<u>\$ 14,552,985</u>	<u>\$ 982,718</u>	<u>\$ 15,535,703</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Activities
Year Ended June 30, 2019

Activities	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 994,083	\$ 305,232	\$ 10,450	\$ -
Public safety				
Police	2,046,298	414,207	18,728	-
Fire	65,146	-	142,681	-
Sanitation	524,766	442,955	-	-
Streets and drainage	1,410,930	63,741	217,461	450,000
Culture and recreation	156,352	-	-	-
Interest and fiscal charges on long-term debt	<u>194,262</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	5,391,837	1,226,135	389,320	450,000
Business-type activities:				
Utility Fund	<u>2,912,845</u>	<u>2,575,352</u>	<u>18,554</u>	<u>-</u>
Total	<u>\$ 8,304,682</u>	<u>\$ 3,801,487</u>	<u>\$ 407,874</u>	<u>\$ 450,000</u>

General revenues:

Taxes -

 Property taxes

 Sales and use taxes

 Other taxes

Grants and contributions not restricted to specific programs

 Local sources

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - July 1, 2018

Net Position - June 30, 2019

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

Net (Expense) Revenues and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (678,401)	\$ -	\$ (678,401)
(1,613,363)	-	(1,613,363)
77,535	-	77,535
(81,811)	-	(81,811)
(679,728)	-	(679,728)
(156,352)	-	(156,352)
<u>(194,262)</u>	<u>-</u>	<u>(194,262)</u>
(3,326,382)	-	(3,326,382)
<u>-</u>	<u>(318,939)</u>	<u>(318,939)</u>
<u>(3,326,382)</u>	<u>(318,939)</u>	<u>(3,645,321)</u>
597,898	-	597,898
1,930,839	-	1,930,839
279,948	-	279,948
122,203	-	122,203
30,153	-	30,153
103,183	7,353	110,536
<u>(9,320)</u>	<u>9,320</u>	<u>-</u>
<u>3,054,904</u>	<u>16,673</u>	<u>3,071,577</u>
(271,478)	(302,266)	(573,744)
<u>14,824,463</u>	<u>1,284,984</u>	<u>16,109,447</u>
<u>\$ 14,552,985</u>	<u>\$ 982,718</u>	<u>\$ 15,535,703</u>

FUND FINANCIAL STATEMENTS

MAJOR FUNDS' DESCRIPTIONS

GENERAL FUND

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

SPECIAL REVENUE FUNDS

Sewerage and Solid Waste Sales Tax Fund

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

Ad Valorem Tax Collection Fund

To account for the receipt of the City's general alimony and debt service ad valorem tax millages. Taxes collected under the general alimony millage of 8.20 mills are transferred to the General Fund and available for use in general governmental operations. Taxes collected under the debt service millage of 14.0 mills are transferred to the Public Improvement Bond Fund and are restricted for use in retirement of the City's general obligation debt.

CAPITAL PROJECTS FUND

Water Plant Construction Fund

To account for the financial resources to be used for the construction of a new water plant for the City. The financial resources to be accounted for include the proceeds of \$5,000,000 General Obligation Bonds, Series 2012 and \$1,000,000 Limited Tax Bonds, Series 2018.

ENTERPRISE FUND

Utility Fund

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

CITY OF PATTERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2019

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
ASSETS			
Cash	\$ 24,860	\$ 356,162	\$ 237,146
Interest-bearing deposits	1,142,502	2,078,257	16,647
Investments, at fair value	-	933,220	-
Receivables -			
Taxes	101,891	57,273	5,924
Property assessments	-	-	-
Other	49,238	184	227
Due from other governmental units	35,762	-	-
Due from other funds	1,686,947	133,394	395,769
Advances to other funds	1,500,000	-	-
Total assets	<u>\$ 4,541,200</u>	<u>\$ 3,558,490</u>	<u>\$ 655,713</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Cash overdraft	\$ 44,258	\$ -	\$ -
Accounts payable	183,600	1,036	-
Retainage payable	-	-	-
Accrued liabilities	86,352	-	-
Unearned revenues	-	-	-
Due to other funds	1,423,200	42,099	655,713
Total liabilities	<u>1,737,410</u>	<u>43,135</u>	<u>655,713</u>
Fund balances			
Nonspendable	1,500,000	-	-
Restricted	685,447	3,515,355	-
Unassigned (deficit)	618,343	-	-
Total fund balances	<u>2,803,790</u>	<u>3,515,355</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,541,200</u>	<u>\$ 3,558,490</u>	<u>\$ 655,713</u>

<u>Water Plant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 249,798	\$ 191,641	\$ 1,059,607
-	1,122,060	4,359,466
-	-	933,220
-	-	165,088
-	6,628	6,628
-	241	49,890
-	42,681	78,443
-	909,170	3,125,280
-	-	1,500,000
<u>\$ 249,798</u>	<u>\$ 2,272,421</u>	<u>\$ 11,277,622</u>
\$ -	\$ -	\$ 44,258
-	50,493	235,129
247,676	-	247,676
-	-	86,352
-	6,628	6,628
200	442,081	2,563,293
<u>247,876</u>	<u>499,202</u>	<u>3,183,336</u>
-	-	1,500,000
1,922	2,157,905	6,360,629
-	(384,686)	233,657
<u>1,922</u>	<u>1,773,219</u>	<u>8,094,286</u>
<u>\$ 249,798</u>	<u>\$ 2,272,421</u>	<u>\$ 11,277,622</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Balance Sheet (continued)

Governmental Funds

June 30, 2019

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

Total fund balances for governmental funds at June 30, 2019		\$ 8,094,286
Total net position reported for governmental activities in the statement of net position is different because:		
Property assessments in governmental funds are not considered financial resources until collected.		6,628
Expenses paid during the year but attributable to periods after the current year (primarily insurance) are recorded as prepaid expenses in the statement of net position.		19,297
Deferred outflows of resources related to net pension liability are not available resources and, therefore are not reported in the funds		429,856
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Cost of capital assets	19,488,588	
Less: Accumulated depreciation	<u>(5,600,314)</u>	13,888,274
Long-term liabilities, including bonds and certificates payable in the current period, are not reported as liabilities in the funds.		
Bonds and certificates payable	(5,255,000)	
Accrued interest payable	(51,404)	
Capital lease obligation payable	(340,508)	
Net pension liability	<u>(1,427,377)</u>	(7,074,289)
OPEB liability		(592,124)
Deferred inflows of resources related to net pension liability are not payable from current expendable resources and, therefore, are not reported in the funds		<u>(218,943)</u>
Total net position of governmental activities at June 30, 2019		<u>\$ 14,552,985</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2019

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
Revenues:			
Taxes	\$ 1,489,820	\$ 720,967	\$ 597,898
Licenses and permits	183,475	-	-
Intergovernmental	509,068	-	-
Charges for services	628,453	-	-
Fines and forfeits	236,698	-	-
Miscellaneous	88,894	24,981	16,083
Total revenues	<u>3,136,408</u>	<u>745,948</u>	<u>613,981</u>
Expenditures:			
Current -			
General government	896,988	-	15,394
Public safety:			
Police	1,871,968	-	-
Fire	57,643	-	-
Sanitation	524,766	-	-
Culture and recreation	141,301	-	-
Streets and drainage	1,154,269	-	-
Capital outlay	793,721	-	-
Debt service -			
Principal retirement	22,043	-	-
Interest and fiscal charges	5,134	-	-
Total expenditures	<u>5,467,833</u>	<u>-</u>	<u>15,394</u>
Excess (deficiency) of revenues over expenditures	<u>(2,331,425)</u>	<u>745,948</u>	<u>598,587</u>
Other financing sources (uses):			
Operating transfers in	1,732,803	-	7,795
Proceeds from capital lease	241,652	-	-
Operating transfers out	(146,162)	(2,132,725)	(606,382)
Total other financing sources (uses)	<u>1,828,293</u>	<u>(2,132,725)</u>	<u>(598,587)</u>
Net change in fund balances	(503,132)	(1,386,777)	-
Fund balances, beginning	<u>3,306,922</u>	<u>4,902,132</u>	<u>-</u>
Fund balances, ending	<u>\$ 2,803,790</u>	<u>\$ 3,515,355</u>	<u>\$ -</u>

<u>Water Plant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,808,685
-	-	183,475
-	592,681	1,101,749
-	-	628,453
-	-	236,698
-	3,379	133,337
<u>-</u>	<u>596,060</u>	<u>5,092,397</u>
-	-	912,382
-	-	1,871,968
-	7,503	65,146
-	-	524,766
-	-	141,301
-	99,092	1,253,361
833,930	575,497	2,203,148
-	547,530	569,573
<u>-</u>	<u>196,488</u>	<u>201,622</u>
<u>833,930</u>	<u>1,426,110</u>	<u>7,743,267</u>
<u>(833,930)</u>	<u>(830,050)</u>	<u>(2,650,870)</u>
478,000	657,495	2,876,093
-	148,429	390,081
-	(144)	(2,885,413)
<u>478,000</u>	<u>805,780</u>	<u>380,761</u>
(355,930)	(24,270)	(2,270,109)
<u>357,852</u>	<u>1,797,489</u>	<u>10,364,395</u>
<u>\$ 1,922</u>	<u>\$ 1,773,219</u>	<u>\$ 8,094,286</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 Year Ended June 30, 2019

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

Total net changes in fund balances at June 30, 2019 per statement of revenues expenditures and changes in fund balances	\$ (2,270,109)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital outlay which is considered expenditures on statement of revenues, expenditures and changes in fund balances	2,203,148
Depreciation expense for the year ended June 30, 2019	(383,677)

Proceeds from capital leases are considered as an other financing source on the fund statements	(390,081)
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Bond principal repayments and capital lease payments are considered as an expenditure on the fund statement	569,573
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Effect of recording OPEB liability resulting in a decrease in OPEB liability	35,247
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Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability	
Increase in pension expense	(80,516)
Nonemployer pension contribution revenue	37,283

Some expenses reported in the statement of activities, such as compensated absences and accrued interest expense, do not require the use of current financial resources and are not reported as expenditures in governmental funds.	<u>7,654</u>
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Total changes in net position at June 30, 2019 per statement of activities	<u>\$ (271,478)</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Net Position
 Proprietary Fund
 June 30, 2019

	ASSETS	<u>Utility Fund</u>
Current assets:		
Cash		\$ 275,367
Interest-bearing deposits		788,179
Investments		332,380
Receivables		
Customer accounts receivable, net		487,065
Accrued interest receivable		76
Other		5,876
Due from other funds		48,502
Prepaid insurance		19,114
Total current assets		<u>1,956,559</u>
Noncurrent assets:		
Restricted assets -		
Cash		297,209
Interest-bearing deposits		140,275
Capital assets, net of accumulated depreciation		<u>1,969,121</u>
Total noncurrent assets		<u>2,406,605</u>
Total assets		<u>4,363,164</u>
Deferred outflows of resources from pensions		<u>207,866</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Net Position (continued)

Proprietary Fund

June 30, 2019

	<u>Utility Fund</u>
LIABILITIES	
Current liabilities:	
Cash overdraft	9,636
Accounts payable	120,756
Accrued liabilities	24,093
Capital lease obligation, current portion	12,872
Due to other funds	<u>610,489</u>
Total current liabilities	<u>777,846</u>
Noncurrent liabilities:	
Advances from other funds	1,500,000
OPEB liability	171,058
Net pension liability	625,045
Payable from restricted assets -	
Capital lease obligation, net of current portion	39,137
Customers' meter deposits payable	<u>437,484</u>
Total noncurrent liabilities	<u>2,772,724</u>
Total liabilities	<u>3,550,570</u>
Deferred inflows of resources from pensions	<u>37,742</u>
NET POSITION	
Net investment in capital assets	1,917,112
Unrestricted (deficit)	<u>(934,394)</u>
Total net position	<u>\$ 982,718</u>

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2019

	Utility Fund
Operating revenues:	
Charges for services -	
Gas sales and services	\$ 759,136
Water sales and services	1,148,273
Sewerage service	501,558
Delinquent charges	69,161
Commissions, transfers and reconnections	31,158
Miscellaneous	84,620
Total operating revenues	2,593,906
Operating expenses:	
Administrative	767,301
Gas department	722,621
Water department	887,154
Sewerage department	351,273
Depreciation	184,496
Total operating expenses	2,912,845
Operating loss	(318,939)
Nonoperating revenues (expenses):	
Interest income	8,569
Interest and fiscal charges	(1,216)
Total nonoperating revenues (expenses)	7,353
Loss before transfers	(311,586)
Transfers out	(115,200)
Transfers in	124,520
Change in net position	(302,266)
Net position, beginning	1,284,984
Net position, ending	\$ 982,718

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

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2019

	<u>Utility Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 2,553,489
Payments to suppliers	(2,013,413)
Payments to employees	<u>(701,650)</u>
Net cash used by operating activities	<u>(161,574)</u>
 Cash flows from noncapital financing activities:	
Payments from other funds	<u>23,247</u>
 Cash flows from capital and related financing activities:	
Acquisition of property, plant and equipment	(19,863)
Payments on capital lease obligations	(5,220)
Interest on capital lease obligations	<u>(1,216)</u>
Net cash used by capital and related financing activities	<u>(26,299)</u>
 Cash flows from investing activities:	
Maturities of investments and interest-bearing deposits	686,931
Purchase of investments and interest-bearing deposits	(692,516)
Interest on investments	<u>8,569</u>
Net cash provided by investing activities	<u>2,984</u>
 Net decrease in cash and equivalents	(161,642)
 Cash and equivalents, beginning	<u>975,707</u>
 Cash and equivalents, ending	<u>\$ 814,065</u>
	(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows (continued)

Proprietary Fund

Year Ended June 30, 2019

	<u>Utility Fund</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (318,939)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	184,494
Pension expense, net of nonemployer contributions	28,414
OPEB expense	6,747
Changes in current assets and liabilities:	
Increase in accounts receivable	(34,879)
Increase in other receivables	(1,154)
Increase in prepaid insurance	(114)
Increase in cash overdraft	9,636
Decrease in accounts payable	(27,015)
Decrease in accrued liabilities	(4,380)
Decrease in customer meter deposits	<u>(4,384)</u>
Net cash used by operating activities	<u>\$ (161,574)</u>
Reconciliation of cash and equivalents to the statement of net position:	
Cash and equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,220,770
Less: Interest-bearing deposits that are not cash equivalents	(546,656)
Cash - restricted	<u>301,593</u>
Total cash and equivalents	<u>975,707</u>
Cash and equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	1,063,546
Less: Interest-bearing deposits that are not cash equivalents	(546,690)
Cash - restricted	<u>297,209</u>
Total cash and equivalents	<u>814,065</u>
Net decrease	<u>\$ (161,642)</u>
Non-cash capital and related financing activities	
The City entered into a capital lease for the purchase of two utility vehicles	<u>\$ 57,229</u>

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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

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

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

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

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

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

Related Organizations –

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Housing Authority of the City of Patterson –

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

Patterson Volunteer Fire Department –

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

Joint Ventures –

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City has entered into joint venture arrangements with other governmental entities for the operation of the Wards 5 and 8 Joint Sewer Commission. See Note 18 for further discussion of the City's relationship with the Wards 5 and 8 Joint Sewer Commission.

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

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

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

The major governmental funds of the City are described below:

General Fund

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

Sewerage and Solid Waste Sales Tax Fund

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

Ad Valorem Tax Collection Fund

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

Water Plant Construction Fund

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

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

Utility Fund

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

Additionally, the City reports the following fund types:

Governmental Funds –

Special revenue funds

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

Debt service funds

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

Capital projects funds

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

C. Measurement Focus/Basis of Accounting

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Assets, Liabilities and Net Position or Equity

Cash, Interest-bearing Deposits, and investments

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

Investments are stated at fair value as determined by quoted market prices. If quoted market prices are not available, fair value is estimated by determining the fair value of investments possessing similar yield, maturity, and repayment and risk characteristics. At June 30, 2019, there were no investments whose fair values were required to be estimated.

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

Interfund Receivables and Payables

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and amounts due from others (including other governments) for goods or services provided for which payment has not yet been received. Business-type activities report customer’s utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customers’ utility receivables was \$141,843 at June 30, 2019. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end. The estimate for unbilled utility service receivables at June 30, 2019 was \$27,372.

Capital Assets

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

Restricted Assets

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

Long-term debt

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

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

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

Compensated Absences

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Equity Classifications

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

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

Fund financial statements

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

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Interfund Transfers

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

F. Capitalization of Interest Expense

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

G. Pensions

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

H. Use of Estimates

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

(2) Cash, Interest-bearing deposits and investments

A. Cash and Interest-bearing Deposits

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

At June 30, 2019, the City has cash and interest-bearing deposits (book balances) totaling \$6,920,103, as follows:

Demand deposits	\$ 1,632,183
Money market accounts and time deposits	<u>5,287,920</u>
Total	<u>\$ 6,920,103</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2019, were secured as follows:

Bank balances	<u>\$ 7,045,409</u>
Federal deposit insurance	\$ 500,000
Pledged securities	<u>6,545,409</u>
Total federal deposit insurance and pledged securities	<u>\$ 7,045,409</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or the City will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At June 30, 2019, deposits in the amount of \$6,545,409 were exposed to custodial credit risk since the deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

B. Investments

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

At June 30, 2019, the City had the following investments and maturities (in years):

<u>Description</u>	<u>Category</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Less Than 1</u>
Governmental Activities:				
United States Government- Securities Fund	N/A	Various	\$ 933,220	\$ 933,220
Business-Type Activities:				
United States Government- Securities Fund	N/A	Various	332,380	332,380
			<u>\$ 1,265,600</u>	<u>\$ 1,265,600</u>

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City’s investment policy conforms to state law, as described above, which has no provision for custodial credit risk. Investments in funds should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The City’s investment is with the fund, not the securities that make up the fund; therefore, no disclosure is required.

Concentration of credit risk relates to the amount of investments in any one entity. The City’s investments are excluded for the 5 percent disclosure requirement.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019, the City had no investments with future maturities in excess of one year.

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

In accordance with GASB Statement No. 31, the City recognizes the net increase (decrease) in the fair value of its investments. For the year ended June 30, 2019, the fair value of the City's investments increased \$21,155. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

Fair Value Measurements

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

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

The City's investments in mutual funds are measured using quoted prices for identical investments in active markets (Level 1 inputs). The investments in mutual funds are valued using quoted market prices of the underlying investment on a recurring basis. The City's investments are redeemable on demand.

(3) Ad Valorem Taxes

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

For the year ended June 30, 2019, taxes of 22.20 mills were levied on property with assessed valuations totaling \$27,158,264 and were dedicated as follows:

General corporate purposes	8.20 mills
Debt service	14.00 mills

Total taxes levied were \$602,913. The amount of taxes receivable (net of allowance for uncollectible taxes) at June 30, 2019 was \$5,924.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(4) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables at June 30, 2019 consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 1,686,947	\$ 1,423,200
Sewerage and Solid Waste Sales Tax Fund	133,394	42,099
Ad Valorem Tax Collection Fund	395,769	655,713
Water Plant Construction Fund	-	200
Other nonmajor governmental funds	909,170	442,081
Business-type Activities:		
Utility Fund	48,502	610,489
Total	<u>\$ 3,173,782</u>	<u>\$ 3,173,782</u>
Advances to/from other funds:		
General Fund	\$ 1,500,000	\$ -
Utility Fund	-	1,500,000
Total advances to/from other funds	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

B. Operating transfers

Transfers between funds for the year ended June 30, 2019 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 1,732,803	\$ 146,162
Sewerage and Solid Waste Sales Tax Fund	-	2,132,725
Ad Valorem Tax Collection Fund	7,795	606,382
Water Plant Construction	478,000	-
Other nonmajor governmental funds	657,495	144
Business-type Activities:		
Utility Fund	124,520	115,200
	<u>\$ 3,000,613</u>	<u>\$ 3,000,613</u>

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(5) Receivables

Receivable balances at June 30, 2019, are as follows:

	Governmental Activities				
	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 101,891	\$ 57,273	\$ 5,924	\$ -	\$ 165,088
Property assessments	-	-	-	6,628	6,628
Other					
Accrued interest	91	184	-	228	503
Franchise fees	49,147	-	-	-	49,147
Other	-	-	227	13	240
Total receivable	<u>\$ 151,129</u>	<u>\$ 57,457</u>	<u>\$ 6,151</u>	<u>\$ 6,869</u>	<u>\$ 221,606</u>

	Business-Type Activities Utility Fund
Customer accounts	\$ 628,908
Less: allowance for uncollectibles	<u>(141,843)</u>
Net customer accounts receivable	487,065
Other receivables	<u>5,952</u>
Receivables, net	<u>\$ 493,017</u>

(6) Due from other Governmental Units

Amounts due from other governmental units at June 30, 2019 consisted of the following:

Governmental Activities -	
Beer taxes due from the State of Louisiana	\$ 1,375
Video poker receipts due from the State of Louisiana	9,645
Prisoner maintenance fees due from the State of Louisiana	3,585
Prisoner maintenance fees due from the St. Mary Parish Government	19,530
Allocations for fire department activities from St. Mary Parish Government	42,681
Occupational licenses fees due from the St. Mary Parish Government	643
Other miscellaneous fees due from the St. Mary Parish Government	984
	<u>\$ 78,443</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(7) Restricted Assets

Restricted assets consisted of the following at June 30, 2019:

Customers' deposits	<u>\$ 437,484</u>
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(8) Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2019 was as follows:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 462,326	\$ -	\$ -	\$ 462,326
Construction in progress	6,256,117	1,402,503	500,751	7,157,869
Other capital assets:				
Buildings	2,813,938	-	-	2,813,938
Improvements other than buildings	51,316	-	-	51,316
Equipment, furniture & fixtures	3,012,202	1,301,396	-	4,313,598
Infrastructure	4,689,541	-	-	4,689,541
Totals	<u>17,285,440</u>	<u>2,703,899</u>	<u>500,751</u>	<u>19,488,588</u>
Less accumulated depreciation				
Buildings	(1,372,863)	(71,682)	-	(1,444,545)
Equipment, furniture & fixtures	(2,696,654)	(181,396)	-	(2,878,050)
Infrastructure	(1,147,120)	(130,599)	-	(1,277,719)
Total accumulated depreciation	<u>(5,216,637)</u>	<u>(383,677)</u>	<u>-</u>	<u>(5,600,314)</u>
Governmental activities, capital assets, net	<u>\$ 12,068,803</u>	<u>\$ 2,320,222</u>	<u>\$ 500,751</u>	<u>\$ 13,888,274</u>

Depreciation expense in the amount of \$383,677 was charged to governmental activities, of which \$78,664 relates to the city's capital leases.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 64,945
Police	89,158
Fire	73,554
Streets and drainage	140,969
Culture and recreation	15,051
Total depreciation expense	<u>\$ 383,677</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Capital assets activity for the business-type activities for the year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 107,200	\$ -	\$ -	\$ 107,200
Construction in progress	57,025	-	-	57,025
Other capital assets:				
Gas distribution system	2,157,664	60,991	-	2,218,655
Water distribution system	2,875,672	16,101	-	2,891,773
Sewer treatment system	5,943,985	-	-	5,943,985
Machinery and equipment	284,769	-	-	284,769
Totals	<u>11,426,315</u>	<u>77,092</u>	<u>-</u>	<u>11,503,407</u>
Less accumulated depreciation				
Gas distribution system	(1,998,424)	(54,668)	-	(2,053,092)
Water distribution system	(2,815,771)	(28,414)	-	(2,844,185)
Sewer treatment system	(4,279,273)	(99,210)	-	(4,378,483)
Machinery and equipment	(256,324)	(2,202)	-	(258,526)
Total accumulated depreciation	<u>(9,349,792)</u>	<u>(184,494)</u>	<u>-</u>	<u>(9,534,286)</u>
Business-type activities, capital assets, net	<u>\$ 2,076,523</u>	<u>\$ (107,402)</u>	<u>\$ -</u>	<u>\$ 1,969,121</u>

Depreciation expense in the amount of \$184,494 was charged to business type activities, of which \$7,631 relates to the City's capital leases.

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

Administrative	\$ 2,202
Gas	54,668
Water	28,415
Sewer	99,209
Total depreciation expense	<u>\$ 184,494</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(9) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2019:

	<u>General Obligation and Limited Tax Bonds</u>
Bonds payable, July 1, 2018	\$ 5,775,000
Bonds retired	<u>(520,000)</u>
Bonds payable, June 30, 2019	<u>\$ 5,255,000</u>

Long-term debt outstanding at June 30, 2019 is comprised of the following individual issues:

\$5,000,000 General Obligation Bonds, Series 2012, due in annual installments of \$225,000 to \$340,000 through March 1, 2032; interest at 3.50 percent per annum, secured by levy and collection of ad valorem tax	3,650,000
\$1,000,000 Limited Tax Bonds, Series 2015, due in annual installments of \$75,000 to \$95,000 through March 1, 2027; interest at 1.925 to 2.35 percent; secured by levy and collection of ad valorem taxes	690,000
\$1,000,000 Limited Tax Bonds, Series 2018, due in annual installments of \$85,000 to \$115,000 through March 1, 2028; interest at 3.02 percent; secured by levy and collection of ad valorem taxes	<u>915,000</u>
Total general obligation and public improvement sales tax bonds payable	<u>\$ 5,255,000</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2019:

Year Ending June 30,	General Obligation Bonds		Limited Tax Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 230,000	\$ 127,750	\$ 170,000	\$ 42,514	\$ 400,000	\$ 170,264
2021	240,000	119,700	175,000	38,176	415,000	157,876
2022	245,000	111,300	175,000	33,666	420,000	144,966
2023	255,000	102,725	185,000	29,138	440,000	131,863
2024	265,000	93,800	185,000	24,333	450,000	118,133
2025-2029	1,430,000	325,675	715,000	46,278	2,145,000	371,953
2030-2032	985,000	69,825	-	-	985,000	69,825
	<u>\$ 3,650,000</u>	<u>\$ 950,775</u>	<u>\$ 1,605,000</u>	<u>\$ 214,105</u>	<u>\$ 5,255,000</u>	<u>\$ 1,164,880</u>

Covenants/Restrictions:

The various bond indentures contain significant limitations and restrictions as to annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. Resolutions concerning dedication of sales tax proceeds specify restrictions as to how the funds may be expended. The City is in compliance with all such significant limitations and restrictions at June 30, 2019.

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

(10) Governmental Fund Balances

As of June 30, 2019, governmental fund balances are comprised of the following:

	General Fund	Sewerage and Solid Waste Sales Tax	Water Plant Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Interfund advances	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Restricted					
Debt retirement	-	-	-	816,923	816,923
Capital expenditures	-	-	1,922	1,010,410	1,012,332
Law enforcement	685,447	-	-	-	685,447
Sewerage and solid waste	-	3,515,355	-	-	3,515,355
Street repairs	-	-	-	330,572	330,572
Unassigned (deficit)	618,343	-	-	(384,686)	233,657
	<u>\$ 2,803,790</u>	<u>\$ 3,515,355</u>	<u>\$ 1,922</u>	<u>\$ 1,773,219</u>	<u>\$ 8,094,286</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(11) Leases

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

Firefighting Equipment

In 2019, the City entered into a financing agreement for the acquisition of a new fire truck. The acquisition cost of this pumper was \$348,429 and was financed with a \$200,000 down payment and five annual payments of principal and interest totaling \$33,126 per year.

Police Equipment

In 2019, the City entered into a financing agreement for the acquisition of six new police units. The acquisition cost was \$241,652 and was financed with ten semi-annual payments of principal and interest totaling \$54,353 per year.

Utility Equipment

In 2019, the City entered into a financing agreement for the acquisition of two utility trucks. The acquisition cost was \$57,229 and was financed with ten semi-annual payments of principal and interest totaling \$12,872 per year.

<u>Fiscal Year End</u>	<u>Governmental Activities</u>		<u>Proprietary Fund</u>
	<u>Firefighting Equipment</u>	<u>Police Equipment</u>	<u>Utility Equipment</u>
2020	\$ 33,126	\$ 54,353	\$ 12,872
2021	33,126	54,353	12,872
2022	33,126	54,353	12,872
2023	33,126	54,353	12,872
2024	-	27,177	6,436
Less: Amount representing interest	<u>(11,605)</u>	<u>(24,979)</u>	<u>(5,916)</u>
Present value of future minimum lease payments	<u>\$ 120,899</u>	<u>\$ 219,609</u>	<u>\$ 52,009</u>

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

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

- A. Proceeds of a 1% parish wide sales and use tax levied in 1966 (2019 collections \$720,317; 2018 collections \$705,945; 2017, \$694,602). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. The City's allocation is 4.7818% of the first \$1,500,000 of net taxes collected. Fifty percent of any collection in excess of \$1,500,000 is divided proportionately among the participating municipalities according to their respective populations as reflected by the most recent federal census or most recent special census. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.
- B. Proceeds of a ¾% sales and use tax originally levied in 1974 (2019 collections \$720,967; 2018 collections \$709,898; 2017, \$699,745). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are to be used for the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. The tax was reapproved for levy in 1987. At the time of reauthorization, voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.
- C. Proceeds of a 3/10% sales and use tax levied in 1982 (2019 collections \$252,469; 2018 collections \$249,411; 2017, \$226,242). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are dedicated to the following purposes: operating and maintaining the police department, including the acquisition and maintenance of equipment and supplies; paying or supplementing the salaries of municipal employees; and purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, including but not limited to the construction, improvement and maintenance of drainage, water, and flood control extensions and improvements and the acquisition, construction, improvement, maintenance and repair of streets, roads, and bridges.
- D. Proceeds of a ½% parish wide sales and use tax levied in 2000 (2019 collections \$240,983; 2018 collections \$236,572; 2017, \$233,199). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to the St. Mary Parish Sheriff, the Parish of St. Mary and each participating municipality on a monthly basis. Proceeds of this tax may be used by the municipalities for any lawful law enforcement purpose.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(13) Employee Retirement

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

A. Municipal Employees' Retirement System (MERS)

Plan Description: MERS was established by Act 356 of the 1954 regular session of the Louisiana Legislature. MERS provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the system. The City participates in Plan B of MERS.

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

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

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

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Age 67 with seven (7) years of creditable service.
2. Age 62 with ten (10) years of creditable service.
3. Age 55 with thirty (30) years of creditable service.
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty percent benefit payable when the surviving spouse attains the age of sixty years.

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

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

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

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

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

Employer Contributions: Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2018, the actual employer contribution rate for Plan B was 13.25%.

Non-Employer Contributions: According to state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes within the respective parish. MERS also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2019, The City reported liabilities in its government-wide financial statements of \$625,044 and \$625,045 in its governmental activities and its business-type activities, respectively for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2018 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportional share of MERS was 1.47794%, which was an increase of 0.037307% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$115,486 and \$125,840 in its governmental activities and its business-type activities, respectively, related to its participation in MERS.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,675	\$ 28,152	\$ 1,675	\$ 28,152
Changes of assumptions	23,390	-	23,390	-
Net difference between projected and actual earnings on pension plan investments	101,591	-	101,590	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,516	9,590	7,516	9,590
Employer contributions subsequent to the measurement date	<u>73,696</u>	<u>-</u>	<u>73,695</u>	<u>-</u>
	<u>\$ 207,868</u>	<u>\$ 37,742</u>	<u>\$ 207,866</u>	<u>\$ 37,742</u>

The \$147,391 reported as deferred outflows of resources related to pensions resulting from City contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2020	\$ 54,639	\$ 54,639	\$ 109,278
2021	29,427	29,426	58,853
2022	9,211	9,212	18,423
2023	<u>3,153</u>	<u>3,152</u>	<u>6,305</u>
	<u>\$ 96,430</u>	<u>\$ 96,429</u>	<u>\$ 192,859</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	Municipal Employees' Retirement System (MERS)
	<hr/>
Valuation Date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial cost assumptions:	
Expected remaining service lives	3 years
Investment rate of return	7.275%,
Inflation rate	2.6%
Projected salary increases	5.0%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 for females.

The investment rate of return was 7.275%, which was a .125% decrease from the rate used as of June 30, 2017. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the MERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public Equity	50%	2.20%
Public fixed income	35%	1.50%
Alternatives	15%	0.60%
Totals	100%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.0%

Discount Rate: The discount rate used to measure the total pension liability was 7.275% for MERS, which was a .125% decrease from the rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Changes in Discount Rate:		
	MERS - Plan B		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$1,640,588	\$1,250,089	\$918,130

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2019, the City recognized revenue as a result of support received from non-employer contributing entities of \$37,109 for its participation in MERS.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Payables to the Pension Plan: The City recorded accrued liabilities to MERS for the year ended June 30, 2019, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MERS as of June 30, 2019 is \$11,822.

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

B. Municipal Police Employees' Retirement System (MPERS)

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total

pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

The Municipal Police Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the audit report can be found on the System's website: www.lampers.org or on the Louisiana Legislative Auditor's website, www.lla.state.la.us.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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

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

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

after he has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% and 2.50%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Cost of Living Adjustments (COLA): The Board of Trustees is authorized to provide annual cost of living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

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

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

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

made to earn interest based on the system's investment portfolio return or a money market investment return. This could result in negative earnings rate being applied to the account.

If the member elects the money market investment return option, the funds are transferred to a government money market account and earn interest at the money market rate.

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

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

For the year ended June 30, 2019, the employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 30.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2019, the City reported liabilities in its government-wide financial statements of \$802,333 in its governmental activities for its proportionate share of the net pension liabilities of MPERS. The net pension liabilities were measured as of June 30, 2018, and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportional share of MPERS was 0.094905%, which was a decrease of 0.021682% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$99,479 in its governmental activities related to its participation in MPERS.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,617	\$ 41,001
Changes of assumptions	52,432	-
Net difference between projected and actual earnings on pension plan investments	38,462	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,547	140,200
Employer contributions subsequent to the measurement date	<u>65,930</u>	<u>-</u>
	<u>\$ 221,988</u>	<u>\$ 181,201</u>

The \$65,930 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

<u>Year</u>	
2020	\$ 21,260
2021	16,001
2022	(63,799)
2023	<u>1,395</u>
	<u>\$ (25,143)</u>

Contributions – Proportionate Share: Differences between contributions remitted to the System and the employer’s proportionate share are recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service, less the amount of the pension plan’s fiduciary net position.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

	<u>Municipal Police Employees' Retirement System (MPERS)</u>	
Valuation Date	June 30, 2018	
Actuarial cost method	Entry Age Normal Cost	
Actuarial cost assumptions:		
Expected remaining service lives	4 years	
Investment rate of return	720%, net of investment expense	
Inflation rate	2.600%	
Projected salary increases	Yrs of Service	Salary Growth
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members</p>	
Cost of Living Adjustments	<p>The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.</p>	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The investment rate of return was 7.20%, which was a .125% decrease from the rate used as of June 30, 2017.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 are summarized in the following table:

Asset Class	June 30, 2018	
	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternative	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected Nominal Return		8.03%

The discount rate used to measure the total pension liability was 7.20% for MPERS, which was a .125% decrease from the rate used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Changes in Discount Rate:		
	MPERS		
	1% Decrease	Current Rate	1% Increase
Net Pension Liability	\$ 1,127,499	\$ 802,333	\$ 529,530

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2019, the City recognized revenue as a result of support received from non-employer contributing entities of \$18,728 for its participation in MPERS.

Payables to the Pension Plan: The City recorded accrued liabilities to MPERS for the year ended June 30, 2019, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MPERS as of June 30, 2019 is \$8,560.

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

C. Aggregate Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Pension Expense

As detailed above, the City participates in two separate defined benefit pension plans. The aggregate amounts for the City's participation in Municipal Employees' Retirement System of Louisiana (MERS) and Municipal and State Police Retirement System of Louisiana (MPERS) are as follows:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Employer's Proportionate Share of Net Pension Liability:

	<u>MERS</u>	<u>MPERS</u>	<u>Aggregate</u>
Governmental Activities	\$ 625,044	\$ 802,333	\$ 1,427,377
Business-Type Activities	<u>625,045</u>	<u>-</u>	<u>625,045</u>
Total	<u>\$ 1,250,089</u>	<u>\$ 802,333</u>	<u>\$ 2,052,422</u>

Deferred Outflows of Resources:

	<u>MERS</u>	<u>MPERS</u>	<u>Aggregate</u>
Governmental Activities	\$ 207,868	\$ 221,988	\$ 429,856
Business-Type Activities	<u>207,866</u>	<u>-</u>	<u>207,866</u>
Total	<u>\$ 415,734</u>	<u>\$ 221,988</u>	<u>\$ 637,722</u>

Deferred Inflows of Resources:

	<u>MERS</u>	<u>MPERS</u>	<u>Aggregate</u>
Governmental Activities	\$ 37,742	\$ 181,201	\$ 218,943
Business-Type Activities	<u>37,742</u>	<u>-</u>	<u>37,742</u>
Total	<u>\$ 75,484</u>	<u>\$ 181,201</u>	<u>\$ 256,685</u>

Pension Expense:

	<u>MERS</u>	<u>MPERS</u>	<u>Aggregate</u>
Governmental Activities	\$ 115,486	\$ 99,479	\$ 214,965
Business-Type Activities	<u>125,840</u>	<u>-</u>	<u>125,840</u>
Total	<u>\$ 241,326</u>	<u>\$ 99,479</u>	<u>\$ 340,805</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(14) Post-Employment Benefits

Effective with the fiscal year beginning July 1, 2017, the City implemented Government Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 75).

Plan Description and Funding Policy

The City's defined benefit postemployment health care plan provides OPEB to eligible retired employees and their beneficiaries until the retiree attains the age of 65. The plan provides OPEB for permanent full-time employees of the City participating in the City's group health insurance plan. The City's OPEB plan is a single employer defined benefit OPEB plan administered by the City. Benefits are provided through the City's group health insurance carrier. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The premium rates are established and may be amended by the group health insurance carrier with the City determining the contribution requirements of the retirees.

Once the retiree becomes eligible to obtain Medicare supplement insurance, the retiree and their dependents are no longer eligible to participate in the City's group health insurance plan. The retiree is eligible to obtain a medicare supplemental insurance policy through the OPEB plan. Premiums are determined by the group health insurance carrier with the City contributing 75% of the premium amount.

Benefits Provided

The City provides medical benefits for retirees and their dependents. The benefit terms provide for payment of 75% of retiree pre-Medicare health insurance premiums. The plan also provides for payment of 75% of Medicare Supplemental insurance payments.

Employees Covered by Benefit Terms

At June 30, 2019, there were a total of 45 employees covered by the benefit terms. Of these 50 employees, 42 were active employees and 8 were inactive employees currently receiving benefits payments.

The City's total OPEB liability of \$763,182 was measured as of June 30, 2019 and was determined by the alternative measurement method. Small employers with less than 100 total plan participants are eligible to use the alternative measurement method.

Key Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019 was determined using the following key assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Salary increases, including inflation	2.00%
Discount rate	3.62%
Percentage participation	100.00%
Healthcare cost trend rates	
Medical	Initially 4.6%, increasing 0.1% per year to year 3, then remaining level through year 6, then decreasing 0.1% in year 7 and remaining at 4.70% through year 10
Retirees' share of benefit-related costs	
Medical	25% for retirees and 25% for dependents
Medicare supplement	25% for retirees

The discount rate was based on the June 30, 2018 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RP-2000 Mortality Table for Males and Females Projected 18 years.

Changes in Total OPEB Liability:

	<u>Governmental Funds</u>	<u>Business-Type Funds</u>	<u>Total OPEB Liability</u>
Balance at 6/30/2018	\$ 627,371	\$ 164,311	\$ 791,682
Charges for the year:			
Service cost	40,143	8,029	48,172
Interest on OPEB liability	24,496	4,899	29,395
Effect of economic gains and losses	(94,289)	(5,061)	(99,350)
Differences between expected and actual experience	<u>(5,597)</u>	<u>(1,120)</u>	<u>(6,717)</u>
Net changes	<u>(35,247)</u>	<u>6,747</u>	<u>(28,500)</u>
Balance at 6/30/2019	<u>\$ 592,124</u>	<u>\$ 171,058</u>	<u>\$ 763,182</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

	<u>1% Decrease</u> <u>(2.62%)</u>	<u>Discount Rate</u> <u>(3.62%)</u>	<u>1% Increase</u> <u>(4.62%)</u>
Total OPEB Liability	\$ 822,283	\$ 763,182	\$ 710,752

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point high than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 700,370	\$ 763,182	\$ 835,713

(15) Social Security System

All employees of the City participate in the Social Security System. The City and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the City and 7.65% by the employee). The City's contribution during the year ended June 30, 2019 was \$171,410.

(16) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2019. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(17) Compensation of City Officials

A detail of compensation paid to the City Council for the year ended June 30, 2019 follows:

Mayor:	
Rodney Grogan	\$ 42,000
Council:	
Travis Darnell	\$ 6,000
Larry Mendoza	3,000
Lee Condolle	3,000
John Rentrop	6,000
Joseph C. Russo, III	6,000
Sandra Turner	6,000
	<u>\$ 72,000</u>

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Payments to and on behalf of the City’s chief officer, Mayor Rodney Grogan, for the year ended June 30, 2019 are as follows:

Salary	\$ 42,000
Benefits - insurance	8,211
Benefits - retirement	5,880
Conference travel/lodging/meals	12,679
	<u>\$ 68,771</u>

(18) Joint Venture

The City is a participant in a joint venture with the Parish of St. Mary, St. Mary Parish Water and Sewer Commission No. 3, and the Town of Berwick for operating and maintaining a sewerage disposal system. The system is operated by a five-member board of commissioners, appointed one each by the City, St. Mary Parish Water and Sewer Commission No. 3, and the Town of Berwick, and two appointed by the St. Mary Parish Council (one each from Ward 5 and Ward 8 of St. Mary Parish).

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

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

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Following is a summary of the financial statements issued by the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2018 which includes only the assets and liabilities required in operating and maintaining the system and does not include the original \$10,300,000 construction cost paid by the participants.

The balance sheet reflected the following:

Total assets and deferred outflows of resources	\$ 1,786,441
Total liabilities and deferred inflows of resources	<u>310,704</u>
Total net position	<u>\$ 1,475,737</u>

The statement of revenues and expenses for the fiscal year ended September 30, 2018 reflected the following:

Operating revenues	\$ 953,018
Nonoperating revenues	3,256
Operating expenses	<u>(1,031,836)</u>
Change in net position	<u>\$ (75,562)</u>

Additional information may be obtained from the separately issued financial statements of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission for the year ended September 30, 2018.

(19) Deficit Fund Balances

The following nonmajor funds reported deficit unassigned fund balances at June 30, 2019:

Debt Service Fund	
Public Improvement Sales Tax Bonds	\$ 197,855
1990 Paving Assessments Fund	107,829
Capital Projects Fund	
2002 Paving Project Construction Fund	30,558
2018 Street Improvements Fund	48,444

The deficits resulted from the expenditure of funds obligated to repay interfund loans. Management anticipates eliminating these deficits through transfers from other funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,495,500	\$ 1,495,309	\$ 1,489,820	\$ (5,489)
Licenses and permits	181,200	172,010	183,475	11,465
Intergovernmental	346,306	521,836	509,068	(12,768)
Charges for services	598,825	597,695	628,453	30,758
Fines and forfeits	225,000	207,016	236,698	29,682
Miscellaneous	63,202	54,805	88,894	34,089
Total revenues	<u>2,910,033</u>	<u>3,048,671</u>	<u>3,136,408</u>	<u>87,737</u>
Expenditures:				
Current -				
General government:				
Administrative	759,184	735,003	776,831	(41,828)
Mechanic shop	111,395	116,316	120,157	(3,841)
Public safety:				
Police	1,577,680	1,875,390	1,871,968	3,422
Fire	68,257	61,048	57,643	3,405
Streets and drainage	502,710	873,757	1,154,269	(280,512)
Culture and recreation	92,350	219,463	141,301	78,162
Sanitation	453,000	519,532	524,766	(5,234)
Capital outlay	310,000	941,108	793,721	147,387
Debt service	-	-	27,177	(27,177)
Total expenditures	<u>3,874,576</u>	<u>5,341,617</u>	<u>5,467,833</u>	<u>(126,216)</u>
Deficiency of revenues over expenditures	<u>(964,543)</u>	<u>(2,292,946)</u>	<u>(2,331,425)</u>	<u>(38,479)</u>
Other financing sources (uses):				
Operating transfers out	(75,175)	(48,162)	(146,162)	(98,000)
Proceeds from capital lease	-	-	241,652	241,652
Operating transfers in	<u>980,769</u>	<u>1,757,844</u>	<u>1,732,803</u>	<u>(25,041)</u>
Total other financing sources (uses)	<u>905,594</u>	<u>1,709,682</u>	<u>1,828,293</u>	<u>118,611</u>
Net change in fund balance	(58,949)	(583,264)	(503,132)	80,132
Fund balance, beginning	<u>3,306,922</u>	<u>3,306,922</u>	<u>3,306,922</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,247,973</u>	<u>\$ 2,723,658</u>	<u>\$ 2,803,790</u>	<u>\$ 80,132</u>

See accompanying notes to required supplementary information.

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

Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 721,000	\$ 721,000	\$ 720,967	\$ (33)
Interest on deposits	4,500	8,211	24,981	16,770
Total revenues	725,500	729,211	745,948	16,737
Other financing sources (uses):				
Operating transfers out	(981,000)	(2,159,386)	(2,132,725)	26,661
Net change in fund balance	(255,500)	(1,430,175)	(1,386,777)	43,398
Fund balance, beginning	5,342,173	4,902,132	4,902,132	-
Fund balance, ending	<u>\$ 5,086,673</u>	<u>\$ 3,471,957</u>	<u>\$ 3,515,355</u>	<u>\$ 43,398</u>

See accompanying notes to required supplementary information.

CITY OF PATTERSON, LOUISIANA
Ad Valorem Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Taxes	\$ 587,930	\$ 603,302	\$ 597,898	\$ (5,404)
Interest on deposits	-	6	9	3
Miscellaneous	-	-	16,074	16,074
Total revenues	<u>587,930</u>	<u>603,308</u>	<u>613,981</u>	<u>10,673</u>
Expenditures:				
Current -				
General government	<u>15,200</u>	<u>15,200</u>	<u>15,394</u>	<u>(194)</u>
Excess of revenues over expenditures	<u>572,730</u>	<u>588,108</u>	<u>598,587</u>	<u>10,479</u>
Other financing sources (uses):				
Operating transfers out	(572,574)	(583,574)	(606,382)	(22,808)
Operating transfers in	<u>-</u>	<u>-</u>	<u>7,795</u>	<u>7,795</u>
Total other financing sources (uses)	<u>(572,574)</u>	<u>(583,574)</u>	<u>(598,587)</u>	<u>(15,013)</u>
Net change in fund balance	156	4,534	-	(4,534)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 156</u>	<u>\$ 4,534</u>	<u>\$ -</u>	<u>\$ (4,534)</u>

See accompanying notes to required supplementary information.

CITY OF PATTERSON, LOUISIANA

Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2019

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service Cost	\$ 44,561	\$ 48,172
Interest	25,958	29,395
Effect of economic gains and losses	-	(99,350)
Differences between expected and actual experience	<u>24,053</u>	<u>(6,717)</u>
Net change in total OPEB liability	94,572	(28,500)
Total OPEB liability, beginning	<u>697,110</u>	<u>791,682</u>
Total OPEB liability, ending	<u>\$ 791,682</u>	<u>\$ 763,182</u>
Covered employee payroll	<u>\$ 1,151,467</u>	<u>\$ 1,186,798</u>
Total OPEB liability as a percentage of covered employee payroll	<u>68.8%</u>	<u>64.3%</u>

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

CITY OF PATTERSON, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2019

Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System					
2014	1.646384%	\$ 772,971	\$ 1,206,100	64.1%	76.94%
2015	1.518223%	\$ 1,031,856	\$ 1,050,232	98.3%	68.71%
2016	1.495290%	\$ 1,239,459	\$ 1,098,595	112.8%	62.11%
2017	1.440633%	\$ 1,246,483	\$ 1,070,609	116.4%	63.49%
2018	1.477940%	\$ 1,250,089	\$ 1,087,923	114.9%	65.60%
Municipal Police Employees' Retirement System					
2014	0.105901%	\$ 662,535	\$ 297,210	222.9%	75.10%
2015	0.108207%	\$ 847,689	\$ 289,873	292.4%	70.73%
2016	0.100478%	\$ 941,762	\$ 281,321	334.8%	66.04%
2017	0.116587%	\$ 1,017,854	\$ 351,997	289.2%	70.08%
2018	0.094905%	\$ 802,333	\$ 280,078	286.5%	71.89%

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

CITY OF PATTERSON, LOUISIANA

Schedule of Employer Contributions
Year Ended June 30, 2019

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Municipal Employees' Retirement System					
2015	\$ 99,772	\$ 99,772	-	\$ 1,050,232	9.50%
2016	\$ 104,161	\$ 104,161	-	\$ 1,098,595	9.48%
2017	\$ 117,767	\$ 117,767	-	\$ 1,070,609	11.00%
2018	\$ 144,150	\$ 144,150	-	\$ 1,087,923	13.25%
2019	\$ 147,391	\$ 147,391	-	\$ 1,052,795	14.00%
Municipal Police Employees' Retirement System					
2015	\$ 91,310	\$ 91,310	-	\$ 289,873	31.50%
2016	\$ 83,307	\$ 83,307	-	\$ 281,321	29.61%
2017	\$ 110,878	\$ 110,878	-	\$ 351,997	31.50%
2018	\$ 86,124	\$ 86,124	-	\$ 280,078	30.75%
2019	\$ 65,930	\$ 65,930	-	\$ 204,434	32.25%

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

CITY OF PATTERSON, LOUISIANA

Notes to Required Supplementary Information

(1) Budgetary Basis of Accounting

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

(2) Budget Adoption

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

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

(3) Actual Expenditures in Excess of Budgeted Appropriations

Actual expenditures and transfers exceeded budgeted appropriations in the General Fund, and Ad Valorem Tax Collection Fund by \$224,216, and \$23,002, respectively.

CITY OF PATTERSON, LOUISIANA

Notes to Required Supplementary Information (continued)

(4) Retirement Systems

A. Municipal Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions – Changes of assumptions –

* Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.750%	7.750%	3.000%	4	5.750%
2016	7.500%	7.500%	2.875%	4	5.000%
2017	7.500%	7.500%	2.875%	4	5.000%
2018	7.400%	7.400%	2.775%	4	5.000%
2019	7.275%	7.275%	2.600%	3	5.000%

B. Municipal Police Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions – Changes of assumptions –

* Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2015	7.500%	7.500%	3.000%	4	4.00% - 10.00%
2016	7.500%	7.500%	2.875%	4	4.25% - 9.75%
2017	7.500%	7.500%	2.875%	4	4.25% - 9.75%
2018	7.325%	7.325%	2.700%	4	4.25% - 9.75%
2019	7.200%	7.200%	2.600%	4	4.25% - 9.75%

* The amounts presented have a measurement date of the previous fiscal year end.

(5) Post Employment Benefits

1. Changes of benefits terms – None
2. Changes of Assumptions – None

OTHER SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes -				
Sales	\$ 1,183,000	\$ 1,184,775	\$ 1,209,872	\$ 25,097
Utility franchise	289,000	289,000	258,414	(30,586)
Housing authority payment in lieu of taxes	23,500	21,534	21,534	-
	<u>1,495,500</u>	<u>1,495,309</u>	<u>1,489,820</u>	<u>(5,489)</u>
Licenses and permits -				
Occupational licenses	165,000	165,145	178,769	13,624
Culvert permits	1,200	600	430	(170)
Building permits	15,000	6,265	4,276	(1,989)
	<u>181,200</u>	<u>172,010</u>	<u>183,475</u>	<u>11,465</u>
Intergovernmental -				
State of Louisiana -				
Beer taxes	7,036	6,949	5,173	(1,776)
Video poker	72,000	71,955	83,030	11,075
Prisoner maintenance	86,000	61,634	45,316	(16,318)
Other state grants	-	200,000	209,356	9,356
St. Mary Parish Government -				
Road royalty allocation	7,270	7,270	-	(7,270)
Riverboat gaming allocation	34,000	34,000	34,000	-
Prisoner maintenance	120,000	120,028	119,238	(790)
St. Mary Parish School Board -				
In-school suspension	20,000	20,000	12,955	(7,045)
	<u>346,306</u>	<u>521,836</u>	<u>509,068</u>	<u>(12,768)</u>
Charges for services:				
Garbage fees	485,000	485,000	442,955	(42,045)
Mosquito abatement	-	-	63,741	63,741
Mechanic shop fees	111,395	111,395	121,757	10,362
Summer recreation fees	2,430	1,300	-	(1,300)
	<u>598,825</u>	<u>597,695</u>	<u>628,453</u>	<u>30,758</u>
Fines and forfeits	<u>225,000</u>	<u>207,016</u>	<u>236,698</u>	<u>29,682</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues (continued)
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Miscellaneous:				
Interest	1,950	1,749	1,785	36
Oil and gas royalties	252	206	259	53
Other sources	61,000	52,850	86,850	34,000
	<u>63,202</u>	<u>54,805</u>	<u>88,894</u>	<u>34,089</u>
Total revenues	<u>\$ 2,910,033</u>	<u>\$ 3,048,671</u>	<u>\$ 3,136,408</u>	<u>\$ 87,737</u>

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures
Year Ended June 30, 2019

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
General government:				
Administrative -				
Salaries	\$ 262,800	\$ 238,446	\$ 231,541	\$ 6,905
Payroll taxes	17,000	16,252	18,530	(2,278)
Retirement contributions	29,000	32,000	29,872	2,128
Group insurance	35,000	24,478	22,292	2,186
Magistrate fees	6,000	6,000	6,000	-
Uniforms	1,000	620	347	273
Travel and employee expense	13,500	11,714	15,355	(3,641)
Telephone and utilities	13,100	13,100	12,633	467
Office supplies	2,500	2,500	1,596	904
Operating supplies	6,000	7,000	8,062	(1,062)
Repairs and maintenance	6,984	19,108	25,211	(6,103)
Training and seminars	5,000	1,050	4,031	(2,981)
Professional fees	45,000	70,000	53,728	16,272
Office equipment rentals	3,600	2,991	3,844	(853)
Dues and subscriptions	2,000	1,765	1,817	(52)
Donations and grants	8,000	8,000	9,025	(1,025)
Advertising and publishing	15,000	11,638	12,508	(870)
General insurance	275,000	252,173	304,984	(52,811)
Miscellaneous	12,700	16,168	15,455	713
Total administrative	<u>759,184</u>	<u>735,003</u>	<u>776,831</u>	<u>(41,828)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2019

	Budget		Actual	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
Mechanic shop -				
Salaries	\$ 60,825	\$ 61,679	\$ 66,259	\$ (4,580)
Payroll taxes	4,600	4,226	5,048	(822)
Retirement contribution	7,790	7,821	8,723	(902)
Group insurance	22,000	19,427	16,753	2,674
Operating supplies	4,500	10,375	10,087	288
Repairs and maintenance	2,000	3,682	4,075	(393)
Miscellaneous	9,680	9,106	9,212	(106)
Total mechanic shop	<u>111,395</u>	<u>116,316</u>	<u>120,157</u>	<u>(3,841)</u>
Total general government	<u>870,579</u>	<u>851,319</u>	<u>896,988</u>	<u>(45,669)</u>
Public safety:				
Police -				
Salaries	824,000	1,052,112	1,010,702	41,410
Payroll taxes	61,200	74,109	81,424	(7,315)
Retirement contributions	65,000	56,022	65,930	(9,908)
Group insurance	275,000	334,339	278,050	56,289
Uniform allowances	3,000	5,000	4,193	807
Prisoner expense	80,000	86,321	88,587	(2,266)
Telephone and utilities	55,500	55,526	53,664	1,862
Office supplies	2,750	2,066	1,980	86
Operating supplies	13,000	25,430	40,461	(15,031)
Repairs and maintenance	71,800	81,469	69,430	12,039
Equipment rentals	5,500	11,942	16,109	(4,167)
Vehicle expense	45,000	59,143	100,889	(41,746)
Training seminars	5,500	3,450	4,083	(633)
Travel and employee expense	5,750	3,724	5,122	(1,398)
Miscellaneous	64,680	24,737	51,344	(26,607)
Total police	<u>1,577,680</u>	<u>1,875,390</u>	<u>1,871,968</u>	<u>3,422</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Fire:				
Salaries	\$ 18,000	\$ 14,775	\$ 14,820	\$ (45)
Payroll taxes	1,440	992	1,224	(232)
Telephone & utilities	7,800	7,871	8,188	(317)
Operating supplies	19,000	11,938	8,309	3,629
Repairs and maintenance	8,500	5,855	2,901	2,954
Vehicle expenses	7,500	14,520	14,662	(142)
Miscellaneous	6,017	5,097	7,539	(2,442)
Total fire	<u>68,257</u>	<u>61,048</u>	<u>57,643</u>	<u>3,405</u>
Total public safety	<u>1,645,937</u>	<u>1,936,438</u>	<u>1,929,611</u>	<u>6,827</u>
Streets and drainage:				
Salaries	244,000	256,531	283,415	(26,884)
Payroll taxes	16,500	18,239	21,951	(3,712)
Retirement contributions	32,670	27,920	29,934	(2,014)
Group insurance	54,000	48,240	41,384	6,856
Uniform allowance	4,000	3,635	3,840	(205)
Travel and employee expenses	500	817	817	-
Utilities	53,000	55,303	55,463	(160)
Chemicals and agents	1,500	950	918	32
Operating supplies	8,000	13,251	14,645	(1,394)
Repairs and maintenance	46,500	405,032	545,360	(140,328)
Vehicle expenses	29,000	30,713	82,997	(52,284)
Mosquito abatement	-	-	59,164	(59,164)
Miscellaneous	13,040	13,126	14,381	(1,255)
Total streets and drainage	<u>502,710</u>	<u>873,757</u>	<u>1,154,269</u>	<u>(280,512)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Culture and recreation:				
Salaries	\$ 50,000	\$ 58,706	\$ 65,209	\$ (6,503)
Payroll taxes	2,800	4,525	5,358	(833)
Telephone and utilities	8,600	12,635	20,647	(8,012)
Operating supplies	1,900	112,552	8,689	103,863
Referee and umpire fees	3,250	3,350	3,350	-
Rental fees	2,400	2,110	2,210	(100)
Miscellaneous	23,400	25,585	35,838	(10,253)
Total culture and recreation	<u>92,350</u>	<u>219,463</u>	<u>141,301</u>	<u>78,162</u>
Sanitation:				
Equipment repairs & maintenance	-	-	418	(418)
Vehicle maintenance	-	202	-	202
Garbage services rendered	452,000	519,330	510,053	9,277
Miscellaneous	1,000	-	14,295	(14,295)
Total sanitation	<u>453,000</u>	<u>519,532</u>	<u>524,766</u>	<u>(5,234)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Police equipment and improvements	\$ 10,000	\$ 254,789	\$ 249,849	\$ 4,940
Mechanic shop equipment	100,000	-	-	-
Street department equipment	100,000	168,091	11,824	156,267
Culture and recreation	<u>100,000</u>	<u>518,228</u>	<u>532,048</u>	<u>(13,820)</u>
Total capital outlay	<u>310,000</u>	<u>941,108</u>	<u>793,721</u>	<u>147,387</u>
Debt service:				
Principal paid	-	-	22,043	(22,043)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>5,134</u>	<u>(5,134)</u>
Total debt service	<u>-</u>	<u>-</u>	<u>27,177</u>	<u>(27,177)</u>
Total expenditures	<u>\$ 3,874,576</u>	<u>\$ 5,341,617</u>	<u>\$ 5,467,833</u>	<u>\$ (126,216)</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
Year Ended June 30, 2019

	Special Revenue Fund			
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds	1973 Paving Assessments
ASSETS				
Cash	\$ -	\$ 152,840	\$ -	\$ 4,277
Interest-bearing deposits	276,937	-	410,331	-
Receivables				
Assessments	-	6,628	-	-
Other	134	-	91	-
Due from other governments	42,681	-	-	-
Due from other funds	-	1,256	26,554	-
Total assets	<u>\$319,752</u>	<u>\$ 160,724</u>	<u>\$436,976</u>	<u>\$ 4,277</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ 1,868	\$ 4,426	\$ -
Accounts Payable	-	-	-	-
Unearned revenues	-	6,628	-	-
Total liabilities	<u>-</u>	<u>8,496</u>	<u>4,426</u>	<u>-</u>
Fund balances -				
Restricted	319,752	152,228	432,550	4,277
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>319,752</u>	<u>152,228</u>	<u>432,550</u>	<u>4,277</u>
Total liabilities and fund balances	<u>\$319,752</u>	<u>\$ 160,724</u>	<u>\$436,976</u>	<u>\$ 4,277</u>

Debt Service Funds

Public					
Various Paving Assessments	2015 Limited Tax Bonds	Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments	2018 Excess Revenue Bonds
\$ 3,788	\$ -	\$ -	\$ -	\$ 160	\$ -
134,373	-	77	28,599	46	-
-	-	-	-	-	-
13	-	-	-	-	-
-	-	-	-	-	-
-	-	-	843,021	15,555	-
<u>\$ 138,174</u>	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ 871,620</u>	<u>\$ 15,761</u>	<u>\$ -</u>
\$ -	\$ -	\$ 197,932	\$ 54,697	\$ 123,590	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>197,932</u>	<u>54,697</u>	<u>123,590</u>	<u>-</u>
138,174	-	-	816,923	-	-
-	-	(197,855)	-	(107,829)	-
<u>138,174</u>	<u>-</u>	<u>(197,855)</u>	<u>816,923</u>	<u>(107,829)</u>	<u>-</u>
<u>\$ 138,174</u>	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ 871,620</u>	<u>\$ 15,761</u>	<u>\$ -</u>

(continued)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet (continued)
Year Ended June 30, 2019

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project	Third Street Paving Project
ASSETS				
Cash	\$ 25,290	\$ 1,473	\$ -	\$ -
Interest-bearing deposits	-	118,723	116,339	2
Receivables				
Assessments	-	-	-	-
Other	-	-	3	-
Due from other governments	-	-	-	-
Due from other funds	-	21,443	573	-
Total assets	\$ 25,290	\$ 141,639	\$ 116,915	\$ 2
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 25,290	\$ 1,701	\$ -	\$ -
Accounts Payable	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	25,290	1,701	-	-
Fund balances -				
Restricted	-	139,938	116,915	2
Unassigned (deficit)	-	-	-	-
Total fund balances	-	139,938	116,915	2
Total liabilities and fund balances	\$ 25,290	\$ 141,639	\$ 116,915	\$ 2

Capital Projects Fund

Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	2018 Street Improvements	Total Governmental Funds
\$ -	\$ 100	\$ 37	\$ 1,627	\$ 2,049	\$ 191,641
36,246	387	-	-	-	1,122,060
-	-	-	-	-	6,628
-	-	-	-	-	241
-	-	-	-	-	42,681
-	768	-	-	-	909,170
<u>\$ 36,246</u>	<u>\$ 1,255</u>	<u>\$ 37</u>	<u>\$ 1,627</u>	<u>\$ 2,049</u>	<u>\$ 2,272,421</u>
\$ 392	\$ -	\$ -	\$ 32,185	\$ -	\$ 442,081
-	-	-	-	50,493	50,493
-	-	-	-	-	6,628
<u>392</u>	<u>-</u>	<u>-</u>	<u>32,185</u>	<u>50,493</u>	<u>499,202</u>
35,854	1,255	37	-	-	2,157,905
-	-	-	(30,558)	(48,444)	(384,686)
<u>35,854</u>	<u>1,255</u>	<u>37</u>	<u>(30,558)</u>	<u>(48,444)</u>	<u>1,773,219</u>
<u>\$ 36,246</u>	<u>\$ 1,255</u>	<u>\$ 37</u>	<u>\$ 1,627</u>	<u>\$ 2,049</u>	<u>\$ 2,272,421</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	Special Revenue Fund			
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds	1973 Paving Assessments
Revenues:				
Intergovernmental	\$ 142,681	\$ -	\$ -	\$ -
Miscellaneous	<u>1,169</u>	<u>-</u>	<u>1,271</u>	<u>-</u>
Total revenues	<u>143,850</u>	<u>-</u>	<u>1,271</u>	<u>-</u>
Expenditures:				
Current -				
Public safety:				
Fire	7,503	-	-	-
Streets and drainage	-	-	-	-
Capital outlay	156,099	-	-	-
Debt service -				
Principal retirement	27,530	-	-	-
Interest and fiscal charges	<u>5,596</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>196,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(52,878)	-	1,271	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Proceeds from capital lease	148,429	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>148,429</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	95,551	-	1,271	-
Fund balances, beginning	<u>224,201</u>	<u>152,228</u>	<u>431,279</u>	<u>4,277</u>
Fund balances, ending	<u>\$ 319,752</u>	<u>\$ 152,228</u>	<u>\$ 432,550</u>	<u>\$ 4,277</u>

Debt Service Funds

Various Paving Assessments	2015 Limited Tax Bonds	Public Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments	2018 Excess revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>93</u>	<u>-</u>	<u>102</u>	<u>132</u>	<u>(15)</u>	<u>-</u>
<u>93</u>	<u>-</u>	<u>102</u>	<u>132</u>	<u>(15)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	75,000	135,000	225,000	-	85,000
<u>-</u>	<u>16,730</u>	<u>8,337</u>	<u>135,625</u>	<u>-</u>	<u>30,200</u>
<u>-</u>	<u>91,730</u>	<u>143,337</u>	<u>360,625</u>	<u>-</u>	<u>115,200</u>
93	(91,730)	(143,235)	(360,493)	(15)	(115,200)
-	91,730	48,162	382,403	-	115,200
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(144)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>91,730</u>	<u>48,018</u>	<u>382,403</u>	<u>-</u>	<u>115,200</u>
93	-	(95,217)	21,910	(15)	-
<u>138,081</u>	<u>-</u>	<u>(102,638)</u>	<u>795,013</u>	<u>(107,814)</u>	<u>-</u>
<u>\$ 138,174</u>	<u>\$ -</u>	<u>\$ (197,855)</u>	<u>\$ 816,923</u>	<u>\$ (107,829)</u>	<u>\$ -</u>

(continued)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (continued)
Year Ended June 30, 2019

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project	Third Street Paving Project
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	467	17	-
Total revenues	-	467	17	-
Expenditures:				
Current -				
Public safety:				
Fire	-	-	-	-
Streets and drainage	-	-	-	-
Capital outlay	-	-	-	-
Debt service -				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	467	17	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Proceeds from Capital lease	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	467	17	-
Fund balances, beginning	-	139,471	116,898	2
Fund balances, ending	\$ -	\$ 139,938	\$ 116,915	\$ 2

Capital Projects Funds

Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	2018 Street Improvements	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ 592,681
<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,379</u>
<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>596,060</u>
-	-	-	-	-	7,503
-	-	46	-	99,046	99,092
-	-	-	-	419,398	575,497
-	-	-	-	-	547,530
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,488</u>
<u>-</u>	<u>-</u>	<u>46</u>	<u>-</u>	<u>518,444</u>	<u>1,426,110</u>
143	-	(46)	-	(68,444)	(830,050)
-	-	-	-	20,000	657,495
-	-	-	-	-	148,429
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(144)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>805,780</u>
143	-	(46)	-	(48,444)	(24,270)
<u>35,711</u>	<u>1,255</u>	<u>83</u>	<u>(30,558)</u>	<u>-</u>	<u>1,797,489</u>
<u>\$ 35,854</u>	<u>\$ 1,255</u>	<u>\$ 37</u>	<u>\$ (30,558)</u>	<u>\$ (48,444)</u>	<u>\$ 1,773,219</u>

CITY OF PATTERSON, LOUISIANA
Enterprise Fund

Schedule of Number of Utility Customers
June 30, 2019

Records maintained by the City indicated the following customers were being served during the months of June 2019 and 2018:

<u>Department</u>	<u>2019</u>	<u>2018</u>
Gas (metered)	1,406	1,417
Water (metered)	2,554	2,559
Sewerage	2,192	2,198
Sanitation*	2,361	2,362

* Reported in General Fund

CITY OF PATTERSON, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2019 and 2018

	Totals		Gas	
	2019	2018	2019	2018
Operating revenues:				
Charges for services -				
Customers	\$ 2,408,967	\$ 2,283,261	\$ 759,136	\$ 698,477
Delinquent charges	69,161	69,709	21,795	21,325
Commissions, transfers, and reconnections	31,158	33,200	9,819	10,156
Miscellaneous	84,620	135,300	31,336	46,070
Total operating revenue	<u>2,593,906</u>	<u>2,521,470</u>	<u>822,086</u>	<u>776,028</u>
Operating expenses:				
Salaries	701,650	695,588	194,799	185,058
Payroll taxes	49,082	50,535	14,002	13,905
Retirement contributions	125,839	128,674	38,585	37,748
Group insurance	149,588	146,113	34,340	28,779
Uncollectible billings	7,531	9,893	2,353	3,001
Gas purchases	308,305	304,594	308,305	304,594
Chemicals and agents	207,146	162,676	-	2,299
Repairs and maintenance	155,730	75,340	8,230	11,843
Vehicle expenses	43,726	51,792	31,302	35,467
Meters, hardware & lines	72,184	111,231	35,230	89,698
Professional fees	59,771	29,381	21,787	2,578
Depreciation	184,496	188,821	54,668	53,115
Insurance	304,562	318,895	-	-
Office expense	45,818	29,077	10,722	6,970
Sewerage treatment	284,857	279,700	-	-
Other	212,560	218,499	22,966	26,684
Allocation of administrative expenses	-	-	242,494	238,155
Total operating expenses	<u>2,912,845</u>	<u>2,800,809</u>	<u>1,019,783</u>	<u>1,039,894</u>
Operating loss	(318,939)	(279,339)	<u>\$ (197,697)</u>	<u>\$ (263,866)</u>
Nonoperating revenues (expenses):				
Interest income	8,569	3,290		
Interest and fiscal charges	(1,216)	-		
Total nonoperating revenues (expenses)	<u>7,353</u>	<u>3,290</u>		
Loss before operating transfers	(311,586)	(276,049)		
Operating transfers in (out)	<u>9,320</u>	<u>(187,685)</u>		
Net income (loss)	<u>\$ (302,266)</u>	<u>\$ (463,734)</u>		

Water		Sewerage		Administrative	
2019	2018	2019	2018	2019	2018
\$ 1,148,273	\$ 1,120,289	\$ 501,558	\$ 464,495	\$ -	\$ -
32,967	34,203	14,400	14,181	-	-
14,852	16,290	6,487	6,754	-	-
39,528	65,354	13,755	23,876	-	-
<u>1,235,620</u>	<u>1,236,136</u>	<u>536,200</u>	<u>509,306</u>	<u>-</u>	<u>-</u>
302,572	299,947	-	-	204,279	210,583
21,761	21,679	-	-	13,319	14,951
51,862	55,735	-	-	35,392	35,191
36,349	44,336	-	-	78,899	72,998
3,580	4,846	1,598	2,046	-	-
-	-	-	-	-	-
207,146	160,267	-	110	-	-
103,843	22,091	42,565	41,102	1,092	304
8,238	12,241	3,409	3,516	777	568
31,940	28,792	4,459	(8,014)	555	755
-	-	-	403	37,984	26,400
28,415	29,411	99,209	99,986	2,204	6,309
-	-	-	-	304,562	318,895
25,363	14,127	-	-	9,733	7,980
-	-	284,857	279,700	-	-
94,500	94,659	14,385	13,583	80,709	83,573
366,797	381,977	160,214	158,376	(769,505)	(778,507)
<u>1,282,366</u>	<u>1,170,108</u>	<u>610,696</u>	<u>590,808</u>	<u>-</u>	<u>-</u>
<u>\$ (46,746)</u>	<u>\$ 66,028</u>	<u>\$ (74,496)</u>	<u>\$ (81,502)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Insurance in Force
June 30, 2019

Description of Coverage	Coverage Amounts
Workmen's Compensation - Employer's liability	Statutory \$ 1,000,000
Surety Bonds -	
Ms. Angela Shilling-Boyles	25,000
Ms. Kim Dardeau	5,000
Public employees	5,000
Public right-of-way	1,528
Policemen's Professional Liability	1,000,000
Comprehensive General Liability, Bodily Injury, and Property Damage	1,000,000
Comprehensive Automobile Liability	1,000,000
Fire, Lightning, and Extended Coverage - Buildings and contents, all risks except flood and earthquake	6,593,490
Flood	
Building and contents, limits vary per location	2,400,000
Excess flood coverage, City Hall/Jail Complex	1,474,900
Summer Recreation Program -	
Death and dismemberment	3,000
Medical expense	10,000
Public officials errors and omissions	1,000,000

CITY OF PATTERSON, LOUISIANA
Schedule of Interest-Bearing Deposits-All Funds
June 30, 2019

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
General Fund:				
Insured Money Market	N/A	N/A	0.600%	\$ 37,231
Insured Money Market	N/A	N/A	0.100%	10
Insured Money Market	N/A	N/A	0.600%	10,375
Insured Money Market	N/A	N/A	0.600%	79,021
Insured Money Market	N/A	N/A	0.000%	62
Insured Money Market	N/A	N/A	0.600%	32,526
Insured Money Market	N/A	N/A	0.600%	25,423
Savings	N/A	N/A	0.100%	312
Savings	N/A	N/A	0.000%	8,349
Certificate of deposit - Patterson State Bank	31 days	7/17/2019	0.100%	45,000
Certificate of deposit - Patterson State Bank	31 days	7/28/2019	0.100%	50,000
Certificate of deposit - Patterson State Bank	91 days	7/28/2019	0.100%	30,000
Certificate of deposit - Patterson State Bank	182 days	8/1/2019	0.100%	796
Certificate of deposit - Patterson State Bank	181 days	11/5/2019	0.240%	236,910
Certificate of deposit - Patterson State Bank	182 days	8/1/2019	0.100%	86,487
Certificate of deposit - Patterson State Bank	31 days	7/28/2019	0.100%	<u>500,000</u>
				<u>1,142,502</u>
Special Revenue Fund:				
Sewerage and Solid Waste Sales Tax Fund -				
Insured Money Market	N/A	N/A	0.600%	922,825
Certificate of deposit - Patterson State Bank	182 days	9/12/2019	0.100%	155,000
Certificate of deposit - Patterson State Bank	1 year	3/19/2020	0.675%	<u>1,000,432</u>
				<u>2,078,257</u>
Ad Valorem Tax Collection Fund -				
Savings	N/A	N/A	0.100%	<u>16,647</u>
Fire Department Equipment Fund -				
Insured Money Market	N/A	N/A	0.600%	177,956
Certificate of Deposit - Patterson State Bank	90 days	7/30/2019	0.100%	25,000
Certificate of Deposit - Patterson State Bank	1 year	9/24/2019	0.240%	<u>73,981</u>
				<u>276,937</u>
Total special revenue funds				<u><u>2,371,841</u></u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)
June 30, 2019

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Debt Service Funds:				
Public Improvement Bonds Fund - Insured Money Market	N/A	N/A	0.600%	<u>28,599</u>
Sales Tax Revenue Refunding Bonds Series -				
Insured Money Market	N/A	N/A	0.600%	137,543
Certificate of Deposit - Patterson State Bank	182 days	10/28/2019	0.240%	<u>272,788</u>
				<u>410,331</u>
Sales Tax Sinking Fund -				
Insured Money Market	N/A	N/A	0.000%	<u>77</u>
				<u>77</u>
1966, 1967, 1969, 1980 AND 1982 Paving Assessment Funds -				
Savings	N/A	N/A	0.100%	106
Certificate of Deposit - Patterson State Bank	182 days	8/1/2019	0.100%	54,917
Certificate of Deposit - Patterson State Bank	182 days	7/29/2019	0.100%	56,750
Certificate of Deposit - Patterson State Bank	182 days	7/29/2019	0.100%	<u>22,600</u>
				<u>134,373</u>
1990 Street Paving Project -				
Insured Money Market	N/A	N/A	0.100%	<u>46</u>
				<u>573,426</u>
Capital Projects Funds:				
1980 Drainage Project Fund - Insured Money Market	N/A	N/A	0.600%	<u>118,723</u>
Regional Sewerage Facility Project Fund -				
Insured Money Market	N/A	N/A	0.000%	15,482
Certificate of Deposit - Patterson State Bank	182 days	8/6/2019	0.100%	20,000
Certificate of Deposit - Patterson State Bank	182 days	7/29/2019	0.100%	<u>80,857</u>
				<u>116,339</u>
Third Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>2</u>
Murphy Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.600%	<u>36,246</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)
June 30, 2019

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Sales Tax Bond Construction Fund - Insured Money Market	N/A	N/A	0.000%	<u>387</u>
Total capital projects funds				<u>271,697</u>
Utility Funds:				
Insured Money Market	N/A	N/A	0.600%	66,384
Insured Money Market	N/A	N/A	0.600%	33,298
Insured Money Market	N/A	N/A	0.600%	98,359
Savings	N/A	N/A	0.100%	7,444
Savings	N/A	N/A	0.100%	36,004
Certificate of Deposit - Patterson State Bank	182 days	10/25/2019	0.240%	140,275
Certificate of Deposit - Patterson State Bank	182 days	8/3/2019	0.100%	46,690
Certificate of Deposit - Patterson State Bank	90 days	9/10/2019	0.350%	<u>500,000</u>
				<u>928,454</u>
Total - all funds				<u>\$ 5,287,920</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and are described in the accompanying schedule of audit results and findings as items 2019-001 and 2019-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 audit results and findings as items 2019-002 and 2019-003.

City's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 27, 2019

CITY OF PATTERSON, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

2018-001 – Material Adjustments to the Financial Statements

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

CURRENT STATUS: This finding was not resolved and will be reiterated in 2019.

2018-002 – Budget Variance in Excess of 5%

CONDITION: The City incurred unfavorable variances in expenditures in its General Fund, Sewerage and Solid Waste Sales Tax Fund, and Ad Valorem Tax Collection Fund in excess of amounts allowed by statute.

CURRENT STATUS: This finding was only applicable to the year ended June 30, 2018.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings
Year Ended June 30, 2019

Part 1: Summary of Auditor's Results

An unmodified opinion has been issued on the City of Patterson, Louisiana's financial statements as of and for the year ended June 30, 2019.

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

Two material instances of noncompliance were disclosed during the audit of the financial statements.

A management letter was issued.

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

2019-001 - Material Adjustments to the Financial Statements

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

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

A deficiency in internal control is defined as a condition where the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. It defines a material weakness as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements may not be prevented, or detected and corrected, on a timely basis.

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

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

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

YEAR INITIALLY OCCURRING: 2012

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2019

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

2019-002 – Potential Violation of Public Bid Law

CONDITION: Due to the significance of amounts paid to contractors for street repairs and the similarity and continuous nature of the expenditures, the City may have been subject to the Public Bid Law.

CRITERIA: RS 38:2211 et seq (The Public Bid Law) is the set of laws that governs contracts for public works and the purchase of materials and supplies by public entities that meet certain threshold requirements. The purpose of the Public Bid Law is to ensure that public entities receive the best possible price when using public funds for the procurement of materials and supplies or public works. The Public Bid Law is a prohibitory law founded on public policy and therefore public entities must strictly comply with its provisions absent express exception in law.

A public work, as defined in the statute, includes any contract for the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity. The statute requires that all contracts for public works exceeding the current contract threshold must be advertised for bid and let for contract with the lowest responsible or responsive bidder. Additionally, for contracts that do not exceed the contract threshold, the Louisiana Legislative Auditor recommends that the contract be administered by a Request for Proposals process and/or solicitation of at least three bids.

CAUSE: The cause of the condition is the failure of the City to establish policies and procedures to ensure that applicable laws and regulations are complied with.

EFFECT: The City may be in violation of the Public Bid Law for failure to obtain public bids on a public works project in excess of the current contract threshold established in the statute.

YEAR INITIALLY OCCURRING: 2019

RECOMMENDATION: We recommend that the City's administration develop and implement procedures to ensure that the City complies with the public bid law when it applies.

2019-003 – Potential Violation of Public Bid Law

CONDITION: The City awarded a contract to provide a new pumper for its volunteer fire department to a bidder who was not the low bidder and failed to document its reasoning in awarding the bid to someone other than the apparent low bidder.

CRITERIA: LA R.S. 38:2211 et seq (The Public Bid Law) requires that political subdivisions shall award contracts for which public bids were requested to the lowest responsible or responsive bidder. If the contract is awarded to a bidder for which it is not readily apparent that the bidder is the lowest bidder, the political subdivision should maintain documentation to reflect the process by which the political subdivision determined it was proper to award the contract to a bidder who is not the apparent low bidder.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2019

CAUSE: The cause of the condition is the failure of the City to adhere to the public bid law in documenting its decision to award a contract to a bid that was not the apparent low bidder.

EFFECT: The City may be in violation of the public bid law and may have incurred costs in excess of that necessary to achieve the City's stated objective.

YEAR INITIALLY OCCURRING: 2019

RECOMMENDATION: We recommend that the City accept the bid of the lowest responsible bidder and document its reasoning for accepting the bid.

2019-004 – Misappropriation of Assets

CONDITION: During the period from January 2016 through August 2019, an officer of the City's volunteer fire department is believed to have made personal purchases and/or atm withdrawals totaling approximately \$14,774 using a debit card linked to a checking account owned by the City's volunteer fire department. Additionally, purchases totaling \$13,587 have been identified that could not be determined to have been for fire department operations. This officer had sole access and control over the debit card for the volunteer fire department. Additionally, reporting of fire department activities to the membership was very limited. Upon discovery, the debit card was seized and frozen and the individual was terminated from his position as an officer of the volunteer fire department. As of the date of the auditor's report, the investigation into the matter is ongoing and being conducted by officers of the volunteer fire department and the district attorney's office. No formal charges have been levied as of the date of the auditor's report. To date, cash and materials totaling at least \$6,522 have been recovered by the volunteer fire department. City officials have properly notified the district attorney and the Legislative Auditor's office of this matter.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The City's internal control over financial reporting includes those policies and procedures that pertain to the City's ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements.

CAUSE: Deception of the former fire department officer and the City's failure to establish and enforce appropriate policies and procedures.

EFFECT: Unauthorized purchases and/or cash withdrawals were charged to the volunteer fire department's checking account.

YEAR INITIALLY OCCURRING: 2019

RECOMMENDATION: The City should develop and implement policies and procedures to ensure that all charges are properly approved and supported by adequate documentation and that personal purchases are not made using public accounts.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2019

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2019, the City of Patterson, Louisiana did not meet the requirements to have a single audit in accordance with Uniform Guidance, therefore this section is not applicable.

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A

CITY OF PATTERSON

PATTERSON, LOUISIANA
70392

1314 Main Street P. O. Box 367
Phone (985) 395-5205
Fax (985) 395-8305

MAYOR
Rodney A. Grogan

CITY CLERK
Angela Shilling-Boyles

COUNCIL
Lee A. Condolle
Travis Darnell
John Rentrop
Joe Russo, III
Sandra K. Turner

December 30, 2019

City of Patterson
1314 Main Street
Patterson, LA 70392

Re: City of Patterson Management Responses and Corrective Action – Fiscal Year 2019

Dear Sirs:

Enclosed are our responses and proposed corrective actions to your internal control and compliance findings included in your audit of the City of Patterson's financial statements for the year ending June 30, 2019.

Response to Finding 2019-001 – Material Adjustments to the Financial Statements

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

Response to Finding 2019-002 – Potential Violation of Public Bid Law

Each road repair was addressed as an individual project. When assessing similar projects in the future we will look at these projects collectively

Response to Finding 2019-003 – Potential Violation of Public Bid Law

Prior to accepting the bids on the fire truck, the City did adhere to the Public Bid Law; however, the lower bids did not meet the specifications required. In the future, the City will make a better effort to adequately document in public records its choice to why a higher bid was accepted.

CITY OF PATTERSON

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Response to Finding 2019-004 – Misappropriation of Assets

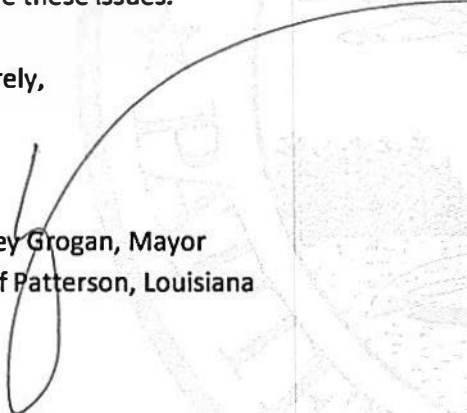
In 2016 there had been discussion about whether the Patterson Volunteer Fire Department checking account was public or private and whether the funds were under the City's authority unlike the funds in the revenue sharing account.

The Volunteer Fire Chief, the alleged officer of the PVFD, was aware of the policy and procedures implemented by the city due to discrepancies within the Patterson VFD and the use of a debit card in 2015.

In the future, all city departments associated with the City's Tax ID number will adhere to the City's credit card, savings, checking, and check signing policy as recommended by the Legislative Auditors. Also, the City will eliminate the use of debit cards within all departments.

We appreciate the opportunity to respond to these findings and will work diligently to implement procedures to resolve these issues.

Sincerely,


Rodney Grogan, Mayor
City of Patterson, Louisiana

CITY OF PATTERSON, LOUISIANA

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2018 through June 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

The Honorable Rodney A. Grogan, Mayor
and members of the City Council of the City of Patterson and
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City of Patterson (hereinafter "City") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019, as required by the *Louisiana Governmental Audit Guide*. The City's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

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

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

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

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

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

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

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

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

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures in effect during the reporting period did not address Disaster Recovery/Business Continuity.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the City for the fiscal period noting that the board met with a quorum at least monthly. Obtained management's representation that the listing is complete.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes did not include, nor reference, monthly budget-to-actual comparisons, nor monthly financial statements, for the Ad Valorem Tax Fund (a major special revenue fund).

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Not applicable – prior year audit report contained a positive ending unassigned fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Obtained listing of client bank accounts from management, identifying the City's main operating account, and management's representation that the listing is complete. Selected the City's main operating account and randomly selected four (4) additional accounts. Randomly selected one month from the fiscal period.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Obtained bank statements and reconciliations for all months in the fiscal period for the five (5) bank accounts selected for testing. Reconciliations for the City's main operating account and three (3) additional randomly selected bank accounts included evidence that they have been prepared within 2 months of the related statement closing date. For one (1) of the four (4) additional randomly selected bank accounts, the reconciliation had not been prepared within two months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Reconciliations for the City's main operating account and four (4) additional bank accounts selected contained evidence of management's review.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No documentation was included evidencing research of reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period for the City's Main Operating Account nor three (3) of the four (4) additional accounts selected for testing. One (1) account tested evidenced no reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period.

Collections (excluding EFTs)

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

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

Obtained listing of payment processing locations from management and management's representation that the listing is complete. Only one (1) location determined to be a payment processing location.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

Examined written policies and procedures relating to employee job duties and ascertained that certain written policies are in place to provide that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.

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

Examined written policies and procedures relating to employee job duties and ascertained that certain written policies are in place to provide that at least two employees are involved in the processing and approval of payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Examined written policies and procedures relating to employee job duties and ascertained that certain formal written policies are in place addressing the functions noted above. The employee responsible for processing payments is not prohibited from adding/modifying vendor files; however, the Mayor approves all changes to vendor files, and periodically reviews changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Examined written policies and procedures relating to employee job duties and ascertained that no formal policies are in place addressing the functions noted above. Inquiry with management revealed that on occasion, a signed check is given from the signer to another employee to be mailed who also has some payment-processing responsibilities.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

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

Obtained listing of active credit cards, bank debit cards, fuel cards and names of the individuals maintaining possession of the cards from management and management's representation that the listing is complete. The City maintains four (4) cards.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]

Obtained the monthly statements or combined statements for the four (4) cards, noting that three (3) of the four (4) statements did not evidence review or approval, in writing, by someone other than the authorized cardholder.

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

Observed that a finance charge of \$20.42 was assessed for the month of July 2018 for one (1) of the four (4) cards.

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

No exceptions were found as a result of this procedure.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained listing of travel and travel-related expense reimbursements during the fiscal period from management and management's representation that the listing/general ledger is complete. Randomly selected five (5) reimbursements and obtained required documentation.

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

No exceptions were found as a result of this procedure.

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

Not applicable—the City reimburses its employees using a per diem.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

Contracts

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

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

Obtained a listing of employees/elected officials from management and management's representation that the listing is complete. Randomly selected 5 employees/officials, obtained paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates.

One (1) of the five (5) employees' pay rates did not agree to pay rates obtained from pay rate schedule. The employee was being paid at a rate of \$12.80/hr., though the Pay Rate Schedule lists the hourly pay rate at \$12.30/hr.

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

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

and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions were found as a result of this procedure.

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

Evidence of supervisory approval of daily attendance and leave records was not present on time sheets for four (4) of the five (5) employees tested.

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

Written leave accrued records for City personnel are maintained in writing and/or electronically for selected employees/officials that earn leave. No exceptions were found as a result of this procedure.

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

Obtained a listing of employees that terminated during the fiscal period from management and management's representation that the listing is complete. Termination payments were made in accordance with City policy, agreed to pay rates per Pay Rate Schedule, and were approved by management.

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

Management represented that approximately half of all semi-weekly Electronic Federal Tax Payments System (EFTPS) payments were not remitted by the required deadlines.

Ethics

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Other

Note: Procedure excluded from testing procedures in the current year - Per the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, Year 3: "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 1 or Year 2 may exclude those categories from testing in Year 3."

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

Management's Response

The City concurs with the exceptions and is working to address the deficiencies identified.

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information of and use by the City's management and the LLA and should not be used by anyone other than those specified parties. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, Louisiana (hereinafter "City") as of and for the year ended June 30, 2019 and have issued or report thereon dated December 27, 2019.

In planning and performing our audit of the financial statements of the City in accordance auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control or on its compliance with laws, regulations, contracts, and grant agreements and other matters. Accordingly, we do not express an opinion on the effectiveness of the City's internal control or on compliance.

During our audit we noted certain matters involving internal control or compliance that are summarized below for your consideration. These comments and related recommendations are intended to improve the City's control and its compliance with laws, regulations, contracts, and grant agreements and other matters. Our comments are not intended to reflect on the integrity or the ability of the City's personnel.

2019-ML-1 Late Payments of Payroll Tax Deposits

In several instances throughout the year, the City was delinquent in remitting payroll tax payments to federal and state tax authorities.

We recommend that the City remit its payroll tax payments prior to required due dates to avoid unnecessary penalties and interest.

2019-ML-2 Failure to Ensure Contractors Have Proper Insurance Coverage

The City entered into a contract with a local contractor for street repair work. It was later determined that the contractor did not have workers compensation insurance. Entering into an agreement with a contractor without workers compensation insurance could result in the City being responsible for potentially thousands of dollars of workers compensation insurance premiums for the amounts paid to the contractor.

We recommend that the City ensure that its potential contractors provide evidence of proper insurance coverages to the City prior to the City entering into any contract for services.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not identify all weaknesses in policies and procedures or incidents of noncompliance that may exist. We aim, however, to use our knowledge of the City's operations gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of the City's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation to you and your staff for the courtesies and assistance rendered to us in the performance of our audit. Should have any questions or need additional assistance, please feel free to contact us.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 27, 2019

CITY OF PATTERSON

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MAYOR
Rodney A. Grogan

CITY CLERK
Angela Shilling-Boyles

COUNCIL
Lee A. Condolle
Travis Darnell
John Rentrop
Joe Russo, III
Sandra K. Turner

December 30, 2019

Kolder, Slaven & Company, LLC
1201 David Drive
Morgan City, LA 70380

Re: City of Patterson Response to Management Letter – Fiscal Year 2019

Dear Sirs:

Enclosed are our responses to your comments included in your management letter issued as part of your audit of the City of Patterson's financial statements for the year ended June 30, 2019.

2019-ML-1 – Late Payment of Payroll Tax Deposits

Finding: The City was delinquent in remitting payroll tax payments to federal and state tax authorities.

Recommendation: We recommend that the City remit its payroll tax payment prior to required due dates to avoid unnecessary penalties and interest.

Response: The payroll clerk will remit payroll tax payments immediately following each period/and prior to required due dates to avoid penalties and interest.

2019-ML-2 – Failure to Ensure Contractors Have Proper Insurance Coverages

Finding: The City entered into a contract with a local contractor for street repair work and was later determined not to have worker compensation coverage.

Recommendation: We recommend that the City ensure that its potential contractors provide evidence of proper insurance coverages to the City prior to the City entering into any contract for services.

Response: The City Clerk will ensure that potential contractors with the City provide evidence of proper insurance coverages such as liability and worker compensation prior to the City entering into any contract for services.

We appreciate your comments and will work diligently to implement procedures to resolve these issues.

Sincerely,


Rodney A. Grogan, Mayor
City of Patterson, Louisiana