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CITY OF ZACHARY, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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

Release Date JAN 20 2016

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ANNUAL FINANCIAL STATEMENTS
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The Honorable Mayor David Amrhein
and Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2015, 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 involved 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 obtained sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on pages 78 through 80, the Schedule of Funding Progress for Other Post-Employment Benefit Plan on page 81, the Schedule of City of Zachary, Louisiana's Proportionate Share of the Net Pension Liability on page 82, and the Schedule of City of Zachary, Louisiana's Pension Contributions on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's basic financial statements. The statistical section and other supplemental information on pages 85 through 101 and pages 103 through 105 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 102 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

The statistical section 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the City of Zachary's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zachary, Louisiana's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Zachary, Louisiana
December 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2015. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined net position as of June 30, 2015 and June 30, 2014 were \$32,596,283 and \$42,600,714 respectively. Net position of our governmental activities were \$16,397,772 and \$25,359,626 respectively while those of our business-type activities were \$16,198,511 and \$17,241,088 respectively.
- The general fund ended the current fiscal year with a \$9,295,157 fund balance of which \$77,293 is non-spendable and zero dollars applies to inter-fund payables. In the prior fiscal year, the general fund ended the year with an \$8,187,336 fund balance of which \$24,884 is non-spendable and zero dollars was reserved for the payment of interfund payables.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide long-term and short-term information about the City's overall financial status and economic condition.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with more detailed schedules providing further insight into the revenue and expenses of the City.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 Major Features of City's Government and Fund Financial Statements				
	Fund Statements			
	Government-wide Statements	Government Funds	Proprietary Funds	
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and streets	Activities the City operates similar to private businesses: the water, sewer and gas systems	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expense, and changes in net position • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during year, regardless of when cash is received or paid	

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and utilities infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works, recreation department, and general administration. Sales taxes, property taxes, intergovernmental activities and franchise fees finance most of these activities. Also included in this section is the debt service fund.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, gas and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page which explains the relationship (or difference) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Position:

	Table A-1	
	City's Net Position	
	Government Activities	Government Activities
	2015	2014
Current and other assets	13,307,625	20,618,538
Capital assets	32,230,908	22,210,575
Total assets	45,538,533	42,829,113
Deferred Outflow: Pension Related	1,855,193	
Current liabilities	2,552,145	2,417,778
Long term liabilities	26,655,009	15,051,709
Total liabilities	29,207,154	17,469,487
Deferred Inflow: Pension Related	1,788,800	
Net assets:		
Net invested in capital assets	22,700,908	12,210,575
Restricted	2,744,364	826,115
Unrestricted	(9,047,500)	12,322,936
Total net position	16,397,772	25,359,626

	Table A-1	
	City's Net Position	
	Business-Type Activities	Business-Type Activities
	2015	2014
Current and other assets	5,239,314	6,034,356
Capital assets	26,916,696	24,336,677
Total assets	32,156,010	30,371,033
Deferred Outflow: Pension Related	255,447	
Current liabilities	2,867,000	2,951,200
Long term liabilities	13,013,057	10,178,746
Total liabilities	15,880,057	13,129,945
Deferred Inflow: Pension Related	332,889	
Net assets:		
Invested in capital assets, net of related debt	26,172,496	14,051,813
Restricted funds	1,505,724	1,259,281
Unrestricted (deficit)	(11,479,709)	1,929,994
Total net position	16,198,511	17,241,088

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities

The City's total change in net position was \$1,227,999; \$108,802 from governmental activities and \$1,119,197 from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net position. The City of Zachary continues to experience an overall positive change in net position. The City continues to have growth in its' revenue stream (approximately 7.9% above the previous year) and the reoccurring expenditures remain fairly stable with on a 3.5% increase. What impacted the City this year in expenditures was a \$2,650,000 litigation liability that will be retired over the next five (5) years. The City continues to work diligently to provide necessary services for the Public and at the same time provide for the needs of the staff. Changes in Federal GASB laws, less State and Federal grants and growth that requires new capital expenditures will continue to present a challenge for not just the City but for all municipalities in the future. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	Table A-2	
	Changes in City's Net Position	
	Government Activities	Government Activities
	2015	2014
Revenues		
Charges for services	1,294,040	1,318,827
Fines	224,344	187,681
Grants and contributions	1,904,668	1,147,745
General revenues:		
Taxes	10,445,355	9,588,798
Commissions	1,404,853	1,402,720
Licenses and permits	563,524	517,114
Miscellaneous/Interest Income	542,176	1,060,016
Total Revenues	16,378,960	15,222,901
Expenses		
General Government	7,309,837	4,859,311
Public Safety	6,456,149	6,162,766
Streets	1,018,873	879,094
Sanitation	1,105,874	1,032,332
Debt Service	439,425	290,515
Total Expenses	16,330,158	13,224,018
Transfers/Capital Contributions	60,000	70,000
Increase in net position	108,802	2,068,888

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities (continued)

	Table A-2 Changes in City's Net Position	
	Business-Type Activities	Business-Type Activities
	2015	2014
Revenues		
Charges for services	6,898,810	8,020,139
General revenues:		
Miscellaneous/Interest Income	133,384	225,215
Total Revenues	7,032,194	8,245,354
Expenses		
Water	1,099,131	989,170
Gas	1,708,428	1,997,097
Sewer	756,732	867,260
Gen./Admin./Warehouse/Mech.	985,778	942,070
Depreciation	1,346,371	1,145,152
Total Expenses	5,896,440	5,940,749
Non-operating Revenues (Expenses)	(16,557)	(18,789)
Increase (Decrease) in net position	1,119,197	2,285,816

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$12,360,480 consisting of \$9,295,157 in the general fund, \$320,959 in the special revenue fund and \$2,744,364 in the debt service fund. The primary difference occurred in the Special Revenue Fund as cash was expended in the completion of the major road projects. Of the above balances \$77,293 is restricted in the general fund, \$320,959 in the special revenue fund and \$2,744,364 in the debt service fund. The special revenue fund and debt service fund restrictions are related to the bonds issued for street projects.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. Sales tax revenues increased by 5.9% over the previous year while ad valorem taxes increased by 3.08%. There were both increases and decreases in various income and expense departments but the overall level of budget income to expense had a positive effect on fund balance. The Administration continues to budget conservatively as a result of the uncertainty in the overall economy. As noted previously, costs beyond the City's control continue to increase, i.e. retirement and insurance.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

CAPITAL ASSETS

At the end of June 2015, the City had invested \$59,147,604 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$12,600,352 over the previous year. This continues to be as the result of the sewer rehab work and two main road projects that were undertaken in the current budget year. The main road project still under construction is the widening of Highway 64 from Barnett Road to Highway 964. This is a \$8 million project that over the next 15 years which will be refunded to the City by East Baton Rouge as part of the Green Light Road Program. This project should be completed in the spring of 2016 with the City receiving \$500,000 each year for 15 years. The City continues to have assets that are cost efficient and can provide for the public's best interest.

	Table A-3 City's Capital Assets			
	Government Activities		Business Activities	
	2015	2014	2015	2014
Land	2,506,635	2,354,222	50,426	47,426
Construction-in-progress	4,562,106	4,749,614	1,086,752	2,563,955
Building/Infrastructure	5,701,083	3,778,560	41,741,053	36,354,301
Road Infrastructure	18,726,922	10,084,688	-	-
Equipment	9,643,378	9,272,572	2,144,076	2,130,236
Less: Accumulated Depreciation	(8,909,217)	(8,029,081)	(18,105,611)	(16,759,241)
Total	32,230,908	22,210,575	26,916,696	24,336,677

The City should finalize the sewer rehab program in the upcoming year. This program has allowed the City to upgrade, repair and add new many linear feet of sewer. This will allow the Utility Department to stay on track with regular maintenance and repair without major interruptions of service for the Public as well as greater functionality during major rain events. The City continues construction on Mount Pleasant Boulevard which will total over eight (8) million when completed in the spring of 2016. A CEA has been signed with City Parish which will allow the City to recoup 7.5 million of this expense. The total sewer rehab will total close to 15 million and should be completed in 2016. Various fire and police equipment and vehicles have also been purchased to continue to provide those services for the community.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a result of GASB 68, the City had to record liability entries to this year's financials that greatly affected the net position of the City. A total of \$8,893,911 was recorded for the Governmental Activities and \$1,915,882 was recorded for the Business-type Activities. This liability relates to the pension liability of the City. Another \$2,650,000 litigation liability was recorded as the negative result of a legal settlement. Even with the recording of these liabilities the City was able to maintain a positive net position. Administration and Council will continue to work diligently to continue to maintain this positive position and to ensure the future for the City.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The City's primary source of revenue, sales tax, continues to increase. Sales Tax revenues improved by 5.9% over the previous budget year with Ad Valorem taxes increasing by 3.08%. The City does expect tax revenues to have a smaller increase over the next two years as the City's growth in population slows. This is not expected to be a long term trend and growth is expected to begin to increase in the 3% to 5% range as the Americana development begins to solidify. Over the next two years Americana expects to add major retail and family development with one project currently permitted and another to be permitted in the first quarter of 2016. Both projects should be completed in 2017. Home construction and sales have begun to increase in the development as well. All this combined should result in the projections of sales tax revenue to again increase in the future.

Two of the three large road projects have been completed with the third to be completed in spring of 2016. The large sewer rehab work should be completed early next year as well. The Administration anticipates in next budget year that there will not be the need for major projects, allowing both the City and the staff to handle regular maintenance and repair work without the need for contractual services. The Administration will continue to analyze services and infrastructure in order to maintain both in the highest working order.

As before, expenditures for insurance and retirement continue to rise but the City has implemented plans to keep these costs within reason and still provide for employees. The Administration in conjunction with the Council continues to handle the delicate balance of revenues vs. expenditures and services to the public with availability to provide in an effort to insure that the positive net position of the City continues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions or requests for additional information should be directed to the Director of Administration, P.O. Box 310, Zachary, LA 70791, (225) 654-0287.

BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,479,828	\$ 965,525	\$ 11,445,353	\$ 177,835
Account receivable	1,422,252	1,145,736	2,567,988	-
Other receivables	1,328,252	16,851	1,345,103	-
Prepaid expenses	77,293	67,811	145,104	-
Inventory	-	136,664	136,664	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	245,003	245,003	-
Investments	-	500,000	500,000	-
Utility revenue bond:				
Cash and cash equivalents	-	2,161,724	2,161,724	-
Capital assets:				
Land and construction in progress	7,068,741	1,137,178	8,205,919	-
Depreciable capital assets, net of depreciation	25,162,167	25,779,518	50,941,685	100,814
TOTAL ASSETS	45,538,533	32,156,010	77,694,543	278,649
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	1,855,193	255,447	2,110,640	89,532
LIABILITIES				
Accounts payable	1,186,941	280,430	1,467,371	-
Other payables	275,756	597,288	873,044	-
Interfund balances	(515,552)	515,552	-	-
Customer meter deposits	-	729,530	729,530	-
Long-term debt:				
Other Post employment benefits	6,406,350	-	6,406,350	-
Due within one year	1,605,000	744,200	2,349,200	45,612
Due beyond one year	11,354,748	11,097,175	22,451,923	-
Net pension liability	8,893,911	1,915,882	10,809,793	241,299
TOTAL LIABILITIES	29,207,154	15,880,057	45,087,211	286,911
DEFERRED INFLOWS OF RESOURCES				
Pension related	1,788,800	332,889	2,121,689	32,410
NET POSITION				
Net invested in capital assets	22,700,908	26,172,496	48,873,404	55,201
Restricted	2,744,364	1,505,724	4,250,088	-
Unrestricted	(9,047,500)	(11,479,709)	(20,527,209)	(6,341)
TOTAL NET POSITION	\$ 16,397,772	\$ 16,198,511	\$ 32,596,283	\$ 48,860

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 7,309,837	\$ 104,061	\$ 1,398,868	\$ (5,806,908)	\$ -	\$ (5,808,908)	\$ -
Streets	1,018,873	-	83,102	(935,771)	-	(935,771)	-
Public Safety	6,458,149	92,183	422,698	(5,941,288)	-	(5,941,288)	-
Sanitation	1,105,874	1,097,816	-	(8,058)	-	(8,058)	-
Debt Service	439,425	-	-	(439,425)	-	(439,425)	-
Total Governmental Activities	16,330,158	1,294,040	1,904,668	(13,131,450)	-	(13,131,450)	-
Business-type Activities:							
Enterprise - Utilities	5,915,705	8,793,501	195,833	-	1,073,629	1,073,629	-
Total Business-type Activities	5,915,705	8,793,501	195,833	-	1,073,629	1,073,629	-
Total Primary Government	22,245,863	8,087,541	2,100,501	(13,131,450)	1,073,629	(12,057,821)	-
Component Units							
Judicial services	702,582	835,147	-	-	-	-	132,566
Total Component Units	702,582	835,147	-	-	-	-	132,566
General Revenues:							
Taxes				10,445,355	42,860	10,488,215	-
Fines				224,344	-	224,344	-
Commissions				1,404,853	-	1,404,853	-
License and permits				563,524	-	563,524	-
Interest income				28	2,708	2,736	-
Others				542,148	-	542,148	-
Transfers				60,000	-	60,000	(60,000)
Total general revenues and transfers				13,240,262	45,568	13,285,820	(60,000)
Change in net position				108,802	1,119,187	1,227,989	72,565
NET POSITION, Beginning				26,359,626	17,241,088	42,600,714	174,488
Restatement of Beginning Net Position				(9,070,656)	(2,161,774)	(11,232,430)	(198,180)
NET POSITION- Beginning(restated)				16,288,970	15,079,314	31,368,284	(23,705)
NET POSITION, Ending				\$ 16,397,772	\$ 16,188,511	\$ 32,586,283	\$ 48,860

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Sales Tax Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,865,032	\$ 1,109,770	\$ 2,505,026	\$ 10,479,828
Sales tax receivable	1,178,030	4,884	239,338	1,422,252
Other receivables	1,328,252			1,328,252
Prepaid expenses	77,293			77,293
Accrued interest receivable	-	-	-	-
Due from other funds	515,552	-	-	515,552
TOTAL ASSETS	\$ 9,964,159	\$ 1,114,654	\$ 2,744,364	\$ 13,823,177
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 534,244	\$ 652,697	\$ -	\$ 1,186,941
Other payables	134,758	140,998	-	275,756
Due to other funds	-	-	-	-
Total liabilities	669,002	793,695	-	1,462,697
Fund balance:				
Nonspendable	77,293	-	-	77,293
Restricted	-	-	2,744,364	2,744,364
Committed	-	320,959	-	320,959
Unassigned	9,217,864	-	-	9,217,864
Total fund balances	9,295,157	320,959	2,744,364	12,360,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,964,159	\$ 1,114,654	\$ 2,744,364	

Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Cost of capital assets at June 30, 2015	41,140,124	
Less: accumulated depreciation at June 30, 2015	<u>(8,909,217)</u>	32,230,907

Deferred outflow 1,855,193

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:

Litigation payable	\$ (2,650,000)	
Bond Payable	(9,530,000)	
OPEB Liability	(6,406,350)	
Pension liability	(8,893,911)	
Compensated absences	<u>(779,747)</u>	(28,260,008)

Deferred inflow (1,788,800)

Net position of governmental activities **\$ 16,397,772**

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 8,592,996	\$ 28,518	\$ 1,530,786	\$ 10,152,300
Licenses and permits	563,524	-	-	563,524
Intergovernmental	1,904,668	-	-	1,904,668
Charges for services	1,294,040	-	-	1,294,040
Commissions	1,404,853	-	-	1,404,853
Fines	224,344	-	-	224,344
Miscellaneous	542,176	-	-	542,176
TOTAL REVENUES	14,526,601	28,518	1,530,786	16,085,905
EXPENDITURES				
General Government	4,722,448	-	-	4,722,448
Court	382,704	-	-	382,704
Public Safety -				
Police	3,899,673	-	-	3,899,673
Fire	2,703,750	-	-	2,703,750
Streets	664,331	8,703,345	-	9,367,676
Sanitation	1,105,874	-	-	1,105,874
Debt Service:				
Interest	-	-	439,425	439,425
Principal	-	-	470,000	470,000
TOTAL EXPENDITURES	13,478,780	8,703,345	909,425	23,091,550
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,047,821	(8,674,827)	621,361	(7,005,645)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	60,000	(1,296,888)	1,296,888	60,000
TOTAL OTHER FINANCING SOURCES (USES)	60,000	(1,296,888)	1,296,888	60,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,107,821	(9,971,715)	1,918,249	(6,945,645)
FUND BALANCE (DEFICIT), Beginning	8,187,336	10,292,674	826,115	19,306,125
FUND BALANCE (DEFICIT), Ending	\$ 9,295,157	\$ 320,959	\$ 2,744,364	\$ 12,360,480

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - Governmental Funds (Page 16)		\$ (6,945,645)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities.</p>		
Non-employer contributions to cost-sharing pension plan		293,054
<p>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.</p>		
		10,900,470
Depreciation expense for the year ended June 30, 2015		(880,136)
Annual OPEB (Other Post Employment Benefit) expense		(884,641)
Pension expense		(49,917)
Litigation liability		(2,650,000)
<p>The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.</p>		
		(144,383)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:</p>		
Principal Payments	<u>470,000</u>	<u>470,000</u>
Change in net position of governmental activities (Page 14)		<u>\$ 108,802</u>

The accompanying notes are an integral part of this statement.

EXHIBIT F

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

ASSETS	
Current assets	
Cash and cash equivalents	\$ 965,525
Accounts receivable (net)	1,145,736
Other receivables - DEQ loan	-
Other receivables - miscellaneous	16,851
Prepaid expense	67,811
Due from other funds	
Inventory	136,684
Total current assets	<u>2,332,587</u>
Restricted assets	
Customer deposits:	
Cash and cash equivalents	245,003
Investments	500,000
Utility revenue bond:	
Cash and cash equivalents	2,161,724
Total restricted assets	<u>2,906,727</u>
Capital assets	
Land	50,426
Construction in progress	1,086,752
Structures and improvements	41,741,054
Machinery and equipment	2,144,076
	45,022,308
Less accumulated depreciation	(18,105,612)
Total capital assets	<u>26,916,696</u>
TOTAL ASSETS	32,156,010
DEFERRED OUTFLOWS - PENSION	<u>255,447</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 32,411,457
LIABILITIES	
Current liabilities (payable from current assets)	
Payable from current assets:	
Accounts payable	\$ 280,430
Other payables	597,288
Due to other funds	515,552
Current portion of long-term debt (note)	88,200
Payable from restricted assets:	
Customers' deposits	729,530
Current portion of long-term debt (bonds)	656,000
Total current liabilities	<u>2,867,000</u>
Long-term liabilities	
Compensated absences	246,182
Net pension liability	1,915,882
Bonds payable	9,452,181
Notes payable	1,398,812
Total long-term liabilities	<u>13,013,057</u>
TOTAL LIABILITIES	<u>15,880,057</u>
DEFERRED INFLOWS - PENSION	332,889
NET POSITION	
Net invested in capital assets	26,172,496
Restricted net assets:	1,505,724
Unrestricted	(11,479,709)
Total Net Position	<u>16,198,511</u>
TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS	\$ 32,411,457

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Charges for services:	
Water sales	\$ 2,576,200
Gas sales	2,717,566
Sewer service charges	1,045,470
Installation charges	143,325
Intergovernmental grant	195,833
Late fees	177,556
Pension expense income	42,860
Miscellaneous service revenues	133,384
TOTAL OPERATING REVENUES	<u>7,032,194</u>
OPERATING EXPENSES	
Water department	1,099,131
Gas department	1,708,428
Sewer department	756,732
Mechanic	67,673
Warehouse	160,059
General and administrative	758,046
Depreciation	1,346,371
TOTAL OPERATING EXPENSES	<u>5,896,440</u>
OPERATING INCOME	<u>1,135,754</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,708
Interest expense	(19,265)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(16,557)</u>
CHANGE IN NET POSITION	1,119,197
NET POSITION - Beginning	17,241,088
Restatement of Beginning Net Position	<u>(2,161,774)</u>
NET POSITION - Beginning (restated)	<u>15,079,314</u>
NET POSITION - Ending	<u><u>\$ 16,198,511</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

	<u>Utility Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,202,081
Cash received from customer deposits	38,965
Cash payments to suppliers	(3,915,781)
Cash payments to employees	(1,248,852)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,076,413</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(3,926,389)
Proceeds from loan	1,667,029
Principal payments on bonds	(424,000)
Interest payments on note	(19,265)
Principal payments on note	(83,900)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,786,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(400,000)
Interest income	2,708
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(397,292)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(107,404)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,479,656</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,372,252</u>
RECONCILIATION OF CASH AS LISTED ON BALANCE SHEET:	
Unrestricted cash	\$ 965,525
Restricted cash	2,406,727
	<u>\$ 3,372,252</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 1,135,754
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,346,371
Pension income	(42,861)
Pension expense	129,857
Current year pension contributions made subsequent to the measurement date	(255,447)
(Increase) decrease in accounts receivable	125,066
(Increase) decrease in other receivables	1,124,903
(Increase) decrease in inventory	23,478
(Increase) decrease in prepaid expense	(37,222)
Increase (decrease) in accounts payable and accrued expenses	(516,351)
Increase (decrease) in customer deposits	38,965
Increase (decrease) in compensated absences	3,900
Total adjustments	<u>1,940,659</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,076,413</u>
Supplemental Data	
Interest paid	<u>\$ 1,964,429</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 14,960 inhabitants with its boundaries located in East Baton Rouge Parish.

The accounting and reporting practices of the City of Zachary conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, and to the industry guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

Financial Reporting Entity

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Zachary, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organizations to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City of Zachary, Louisiana (the primary government) and its component unit. The component unit included in the accompanying financial statements is discretely presented.

Discretely Presented Component Unit

Component units that are legally separate from the municipality but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented. The "Component Unit" column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the municipality.

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 14 as another legally separate organization for which the elected City officials are financially accountable.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial information about the City of Zachary as a whole entity. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, while business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the assets and liabilities of each activity, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and those which are unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different 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 functions, and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) fees, fines and charges paid by the recipients of goods, services, or privileges offered by a program 2) 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 fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The daily accounts and operation of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following Governmental Funds:

Major Funds

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.

Special Revenue Fund

This fund accounts for the collection and expenditure of a one-half cent sales tax which is restricted to street improvement and maintenance.

Debt Service Fund

This fund accounts for transactions relating to resources retained and used for the payment of principal, interest, and related cost on long term debt.

The City reports the following Major Enterprise Fund:

Public Utilities Fund – As a proprietary fund, the public utility fund is 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 the goods and services to the general public on a continuing basis be financed or recovered 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Financial Statements. Governmental funds 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claim and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating and Non-operating Revenues and Expenses

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	35-40 years
Sewerage system	25-35 years
Gas system	35 years
Water system	12-35 years
Office equipment	5-10 years
Automotive equipment	5-10 years

Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to the Members of the Council prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Members of the Council.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with generally accepted accounting principles.

Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The level of budgeted control is total appropriations. Budgeted amounts are as originally adopted.

The original budgeted beginning fund balance is noted on the budget to actual statements in the current year to more accurately reflect the budgets as they were actually presented to the council.

Cash and Cash Equivalents and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, and certificates of deposit, are stated at cost, which approximates market. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the City may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Accounts Receivable and Bad Debt

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,145,736 is reported net of allowance for uncollectible accounts for the year ended June 30, 2015. Revenues of \$7,032,194 are reported net of uncollectible amounts for the year ended June 30, 2015.

Inventory

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid expenses.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

Restricted assets included cash and cash equivalents that are legally restricted as to their use. The restricted assets are related to the customers' water deposits and bond accounts.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the individual funds. These interfund receivables/payables are classified on the balance sheet as "Due from Other Funds" or "Due to Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Compensated Absences

Employees earn up to 30 days of vacation leave each year, depending on their length of service. Vacation leave can be accumulated. Upon termination, all unused vacation is paid to the employee up to a maximum of 60 days.

Employees earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for the accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In compliance with GASB Statement 16, the City records a liability for earned vacation and sick leave and reflects the liability for this on the government-wide financial statements.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2015, in the governmental fund financial statements.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Obligations

In government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. In fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Net Position

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for Local and State Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following component of net position:

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

Operating Transfers

Advances between funds which are not expected to be repaid are accounted for as operating transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts. These are eliminated in the government-wide statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months, or less when purchased to be cash equivalents.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Equity

City of Zachary, Louisiana elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, fund balance of the governmental funds are classified as follows:

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.

Restricted – Amounts that can be spent only for specific purpose 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.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Councilmen.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes.

Unassigned – All other spendable amounts.

As of June 30, 2015 all fund balances are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 77,293	\$ -	\$ -	\$ 77,293
Restricted	-	-	2,744,364	2,744,364
Committed:				
Capital Outlay	-	320,959	-	320,959
Unassigned	<u>9,217,864</u>	<u>-</u>	<u>-</u>	<u>9,217,864</u>
Total Fund Balances	<u>\$ 9,295,157</u>	<u>\$ 320,959</u>	<u>\$ 2,744,364</u>	<u>\$ 12,360,480</u>

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the City or the assignment has been changed by the City. Decreases in fund balance first reduce Unassigned fund balance; in the event that Unassigned becomes zero, then Assigned and Committed fund balances are used in that order.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Pension Plans

The City of Zachary is a participating employer in multiple cost-sharing, multiple-employer defined benefit pension plans as described in Note K. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2015, the City of Zachary, Louisiana had the following balances:

	Book Balances	Bank Balances
Cash and cash equivalents	\$ 13,852,079	\$ 14,942,320
Investments	500,000	500,000
Total	\$ 14,352,079	\$ 15,442,320

The deposits are stated at cost, which approximates market.

Security on Deposits:

Under state law, these deposits (or 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 in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2015, the City had the following security on deposits as shown on the following page:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

	<u>Primary Government</u>			<u>Component Unit - City Court</u>
	<u>Cash</u>	<u>Nonnegotiable Certificates of Deposit</u>	<u>Total</u>	<u>Cash</u>
Deposits per Balance Sheet (Reconciled bank balance)	\$ 13,852,079	\$ 500,000	\$ 14,352,079	\$ 178,135
Deposits in bank accounts per bank	\$ 13,942,320	\$ 500,000	\$ 14,442,320	\$ 225,805
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			\$ 18,236,938	\$ 225,805
Excess of FDIC insurance and pledged securities			\$ 3,794,618	\$ -

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City of Zachary, Louisiana that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments of the City of Zachary, Louisiana consist of certificates of deposit. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The City used quoted market values to determine fair value of the investments.

Interest Rate Risk— The City of Zachary has no formal investment policy, but has adopted the state investment policy at LA RS 49:327. The City invests in investments with maturities limited to five year as means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, and U.S. government securities. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2015, 100% of the City’s investment balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution’s trust department or agent, but not in the entity’s name.

Concentration of Credit Risk – The City places no limits on the amount they may invest in any one issuer.

At June 30, 2015, the City held certificates of deposit, with an original maturity greater than 90 days, totaling \$500,000. These investments are stated on the balance sheet at market value and are as follows:

Descriptions	Cost	Fair Value	Maturity Date	Interest Rate
Certificates of deposit	\$ 500,000	\$ 500,000	7/15/15-9/12/15	45-.80%
Total Investments	<u>\$ 500,000</u>	<u>\$ 500,000</u>		

NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The receivables at June 30, 2015 are as follows:

Description	Governmental Activities	Business-type Activities
Fire department - state grant	\$ 361,948	\$ -
Fines	15,730	-
Sales tax	1,422,253	-
Charge for services	260,012	1,145,736
Garbage collection fees	309,384	-
Commissions	75,178	-
Fire department - miscellaneous	69,039	-
Police department - miscellaneous	46,625	-
911 Operations	129,037	-
DEQ Federal loan project	-	-
DOTD URAF	-	-
Other	61,298	16,851
Total	<u>\$ 2,750,504</u>	<u>\$ 1,162,587</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D: RESTRICTED ASSETS

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest bearing account which is designated specifically for meter deposits. At June 30, 2015, customer deposits amounted to \$745,003.

Certain resources are set aside for repayment of bond indebtedness and are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances. The following schedule summarizes the current year transactions in the major categories of these restricted accounts:

	<u>Construction Account</u>	<u>Bond Debt Service Fund</u>	<u>Bond Debt Service Reserve Fund</u>	<u>Contingency Fund</u>
Beginning balance, July 1, 2014	\$ 1,053,180	\$ 200,132	\$ 229,968	\$ 200,000
Add:				
Deposits	\$ 2,320,401	\$ -	\$ -	\$ -
Transfers from utility checking	500,000	210,000	678,000	100,000
Interest earned	-	277	284	-
Total funds available	<u>3,873,581</u>	<u>410,409</u>	<u>908,252</u>	<u>300,000</u>
Less:				
Cash disbursement	2,317,940	-	-	-
Bond principal & interest payments	-	-	512,579	-
Transfers to utility checking	500,000	-	-	-
Service charges	-	-	-	-
Ending balance	<u>\$ 1,055,641</u>	<u>\$ 410,409</u>	<u>\$ 395,673</u>	<u>\$ 300,000</u>

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2015:

	<u>2015</u>
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 245,003
Investments	500,000
Utility Revenue Bond:	
Cash and Cash Equivalents	<u>2,161,724</u>
Total	<u>\$ 2,906,727</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Primary Government			
	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Land	\$ 2,354,222	\$ 152,413	\$ -	\$ 2,506,635
Road infrastructure	10,084,687	8,642,235	-	18,726,922
Buildings and improvements	3,778,560	1,922,523	-	5,701,083
Machinery and equipment	9,272,571	370,807	-	9,643,378
Construction in progress- Streets	4,749,614	-	(187,508)	4,562,106
Total Capital Assets	\$ 30,239,654	\$ 11,087,978	\$ (187,508)	\$ 41,140,124

	Primary Government				
	Accumulated Depreciation Balance 6/30/2014	Additions	Deletions	Accumulated Depreciation Balance 6/30/2015	Capital Assets Net of Accumulated Depreciation
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,506,635
Road infrastructure	1,516,928	253,813	-	1,770,741	16,956,181
Buildings and improvements	1,588,595	128,242	-	1,716,837	3,984,246
Machinery and equipment	4,923,558	498,081	-	5,421,639	4,221,740
Construction in progress- Streets	-	-	-	-	4,562,106
Total Accumulated Depreciation	\$ 8,029,081	\$ 880,136	\$ -	\$ 8,909,217	\$ 32,230,908

Depreciation expense for the year ended June 30, 2015 was charged to the following governmental functions:

General government	\$ 626,323
Streets	253,813
	<u>\$ 880,136</u>

A summary of changes in capital assets for business-type activities is as follows:

	Business-Type Activities				
	Balance 6/30/2014	Additions	Deletions	Reclass- ifications	Balance 6/30/2015
Land	\$ 47,426	\$ 3,000	\$ -	\$ -	\$ 50,426
Construction in progress	2,563,955	3,715,062	-	(5,192,265)	1,086,752
Buildings and improvements, Gas, water, sewer systems	36,354,301	194,487	-	5,192,265	41,741,053
Machinery and equipment	2,130,236	13,840	-	-	2,144,076
Total Capital Assets	41,095,918	3,923,389	-	-	45,022,307

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

	Business-Type Activities				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation Balance		Accumulated Depreciation Balance		
	6/30/2014	Additions	Deletions	6/30/2015	
Land	\$ -	\$ -	\$ -	\$ -	\$ 50,426
Construction in progress	-	-	-	-	1,086,752
Buildings and improvements					
Gas, water, sewer systems	15,207,661	1,200,917	-	16,408,578	25,332,475
Machinery and equipment	1,551,579	145,454	-	1,697,033	447,043
Total Accumulated Depreciation	\$ 16,759,240	\$ 1,346,371	\$ -	\$ 18,105,611	\$ 26,916,696

Depreciation expense for the year ended June 30, 2015 for business-type activities totaled \$1,346,371, and capitalized interest totaled \$88,579.

A summary of the changes in capital assets for the component unit is as follows:

	Component Unit			Balance 6/30/2015
	Balance 6/30/2014	Additions	Deletions	
Machinery and equipment	\$ 289,482	\$ 47,057	\$ -	\$ 336,539
Accumulated depreciation	(192,307)	(43,418)	-	(235,725)
Capital assets, net of accumulated depreciation	\$ 97,175	\$ 3,639	\$ -	\$ 100,814

Depreciation expense for the year for the component unit ended June 30, 2015 totaled \$43,418.

NOTE F: INTERFUND RECEIVABLE AND PAYABLE

Interfund receivable and payable representing short-term borrowing at June 30, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
Special revenue fund	\$ -	\$ -
General fund	515,552	-
Proprietary fund	-	515,552
	\$ 515,552	\$ 515,552

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	June 30, 2014	Additions	Deletions	June 30, 2015	Current Portion
<u>Governmental Activities:</u>					
Public Street - bonds	\$ 10,000,000	\$ -	\$ (470,000)	\$ 9,530,000	\$ 505,000
Claims and judgments - Litigation	-	2,650,000	-	2,650,000	1,100,000
OPEB Liability	5,521,709	884,641	-	6,406,350	-
Net pension liability	10,184,910	-	(1,290,999)	8,893,911	-
Compensated absences	635,364	144,383	-	779,747	-
	<u>\$ 26,341,983</u>	<u>\$ 3,679,024</u>	<u>\$ (1,760,999)</u>	<u>\$ 28,260,008</u>	<u>\$ 1,605,000</u>
<u>Business-Type Activities:</u>					
Compensated absences	\$ 242,282	3,900	-	\$ 246,182	\$ -
Net pension liability	2,403,212	-	(487,330)	1,915,882	-
Bonds payable	8,865,152	1,667,029	(424,000)	10,108,181	656,000
Loan agreement	1,570,912	-	(83,900)	1,487,012	88,200
	<u>\$ 13,081,558</u>	<u>\$ 1,670,929</u>	<u>\$ (995,230)</u>	<u>\$ 13,757,257</u>	<u>\$ 744,200</u>

Component Unit

In October 2011, the City Court executed a 60 month lease agreement with Dan Haggerty & Associates, Inc. for computer software in the amount of \$160,000 and in September of 2014, the City Court executed an agreement for a prosecutor's program in the amount of \$41,225 in which \$27,612 was paid in 2015 fiscal year.

The future minimum lease payments under these agreements as of June 30, 2015 are as follows:

	<u>Prosecutor</u>	<u>Software</u>
2016	<u>\$ 13,612</u>	<u>\$ 32,000</u>
	<u>\$ 13,612</u>	<u>\$ 32,000</u>

Public Street Bonds

In 2013, the City of Zachary, Louisiana was issued \$10,000,000 of Public Street Bonds, Series 2013. The interest rate is 4.50% and interest payments are payable semiannually. Principal payments are made annually beginning October 1, 2014 through October 1, 2028. These funds must be used for the widening and improvement of existing public roads and streets, construction of new public roads and streets, road beautification projects, and paying bond issuance costs. The following is a summary of loan transactions as of June 30, 2015:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT, continued

Balance July 1, 2014	\$	10,000,000
Bonds issued		
Principal payments		470,000
Balance, June 30, 2015	\$	9,530,000
Current portion as of June 30, 2015	\$	505,000
Long-term liability as of June 30, 2015		9,025,000
Total liability as of June 30, 2015	\$	9,530,000

Loan Agreement – Business-Type Fund

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement were drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2015 was 1.26%.

The future annual debt service requirements as of June 30, 2015 are as follows:

		<u>LCDA Loan</u>
Balance July 1, 2014	\$	1,570,912
Principal Payments		(83,900)
Balance, June 30, 2015	\$	1,487,012
Current portion as of June 30, 2015	\$	88,200
Long-term liability as of June 30, 2015		1,398,812
Total liability as of June 30, 2015	\$	1,487,012

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT, continued

Bonds Payable – Business-Type Fund

In 2012, the City of Zachary, Louisiana was issued \$9,300,000 of Utilities Revenue Bonds, Series 2012 from the State Revolving Fund Program through the Louisiana Department of Environmental Quality, a partial flow through from the United States Environmental Protection Agency (see Schedule of Expenditures of Federal Awards Note 2). These funds must be used for the purpose of providing for constructing and acquiring improvements and extensions to the Utility system. As of June 30, 2015, \$9145,931 was drawn on the loan. The bonds bear interest at .45% per annum and administrative fees at .50% with a maturity of 20 years. The bonds are payable in semiannual installments of interest beginning in July, 2012 and annual installments of principal beginning in January 2015.

On November 26, 2013, a second supplemental bond ordinance was adopted authorizing an additional issuance of \$5,000,000 Utilities Revenue Bond, Series 2014 in accordance with the terms and conditions of the above bonds. The funds are to be used for the same purpose as above. As of June 30, 2015, \$1,386,250 was drawn on the loan.

The following is a summary of the loan transactions as of June 30, 2015:

	<u>\$9,300,000</u>	<u>\$5,000,000</u>	<u>Total</u>
Balance July 1, 2014	\$ 8,765,826	\$ 99,326	\$ 8,865,152
Bond proceeds	380,104	1,286,924	1,667,028
Principal Payments	(424,000)	-	(424,000)
Balance, June 30, 2015	<u>\$ 8,721,930</u>	<u>\$ 1,386,250</u>	<u>\$ 10,108,180</u>
Current portion as of June 30, 2015	\$ 428,000	\$ 228,000	\$ 656,000
Long-term liability as of June 30, 2015	8,293,930	1,158,250	9,452,180
Total liability as of June 30, 2015	<u>\$ 8,721,930</u>	<u>\$ 1,386,250</u>	<u>\$ 10,108,180</u>

The annual requirements to amortize all debt outstanding as of June 30, 2015 including interest and administrative fees of \$4,482,393 are as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT, continued

Year Ending June 30	Utility Revenue Bonds Series 2012 *	Utility Revenue Bonds Series 2014 *	LCDA Loan	Public Street Bonds
2016	508,825	240,086	110,040	922,487
2017	509,736	239,911	113,605	919,312
2018	509,603	240,712	115,683	920,125
2019	509,433	240,489	119,597	919,812
2020	509,224	240,247	123,492	918,375
2021-2024	2,036,032	224,904	542,867	3,669,261
2025-2029	2,726,057	-	520,427	4,566,099
2030-2034	2,391,141	-	-	-
2035	-	-	-	-
Total	9,700,051	1,426,349	1,645,711	12,835,471
Less Current Maturities	(428,000)	(228,000)	(88,200)	(922,487)
	<u>\$ 9,272,051</u>	<u>\$ 1,198,349</u>	<u>\$ 1,557,511</u>	<u>\$ 11,912,984</u>

- The annual requirements were taken from a preliminary amortization schedule showing all drawdowns to date on the loans. When the projects are completed, the loans will be closed and new amortization schedules will be issued.

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE

A) BUSINESS TYPE FUND

All of the income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the City's Utilities Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, at least a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).
- 5) Any money remaining in the Revenue Fund after making the above-required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

B) GOVERNMENTAL FUNDS

In order that the principal of and the interest on the Bonds will be paid in accordance with their terms and for the other objects and purposes hereinafter provided, the Issuer further covenants as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

The Revenues shall continue to be deposited each month, as received, in a special bank account maintained with the regularly designated fiscal agent of the Issuer and designated as the "Public Street Fund – 2013" (hereinafter called the "Revenue Bond Fund").

The funds on deposit in the Revenue Fund shall be used in the following order of priority and for the following express purposes:

- 1) The establishment and maintenance of the "Public Street Bond Sinking Fund – 2013." (hereinafter called the "Sinking Fund"), sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Bonds herein authorized, including any *pari passu* bonds issued hereafter in the manner provided by this Bond Ordinance, as they severally become due and payable, by transferring from the Revenue Bond Fund to the regularly designated fiscal agent of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6) of the interest falling due on the next Interest Payment Date and one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said fiscal agent shall transfer from the Sinking Fund to the paying agent bank or banks for all bonds payable from the Sinking Fund, at least two (2) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

All or any part of the moneys in the Revenue Bond Fund and the Sinking Fund may be invested in Government Investments. All income derived from such Government Investments shall be added to the Revenue Bond Fund, and such investment shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the Revenue Bond Fund was created.

All moneys remaining in the Revenue Bond Fund on the 20th day of each month in excess of (i) all reasonable and necessary expenses of collection and administration of the Tax, and (ii) after making the required payments into the Sinking Fund for the current month and for prior months during which the required payments may not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the Tax is authorized.

The maintenance of the Public Street Revenue Bond Reserve Fund (hereinafter called the "Reserve Fund"), with regularly designated fiscal agent of the Issuer. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on the Bonds payable from the aforesaid Sinking Fund as to which there would otherwise be default (except for certain earnings which may be owed the United States pursuant to Section 148(f) of the Code). On or before the 20th day of each month following the delivery of the Bonds, an amount equal to one thirty-sixth of the Revenue Fund Requirement shall be deposited in the Reserve Fund and such deposits shall continue until the Reserve Fund Requirement for the Bonds is satisfied. In the event that Additional Parity Bonds are issued hereafter, there shall be deposited into the Reserve Fund, from the proceeds of such Additional Parity Bonds and/or from any other source provided by the Issuer, such additional amounts (as may be designated in the ordinance authorizing the issuance of such Additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding three (3) years to a sum equal to the Reserve Fund Requirement.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

If at any time it shall be necessary to use moneys in the Reserve Fund for the purpose of paying principal or interest on Bonds as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter by the Revenue Bond Fund, not hereinabove required to pay the expenses of collecting and administering the Taxes or to pay current principal and interest requirements, it being the intention hereof that there shall as nearly as possible be at all times in the Reserve Fund the amount hereinabove specified.

The Reserve Fund Requirement, in whole or in part, may be funded with cash investment obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in amounts held hereunder for payment of the principal or interest on the Bonds due on such date which cannot be cured by amounts in any account held pursuant to this Bond Ordinance and available for such purpose, and shall name the Paying Agent of each issue of Outstanding Parity Bonds as the beneficiary thereof. The Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Fund pursuant to such sections, the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, and shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Fund Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of the Bond Ordinance for the cash and investment obligations in the Reserve Fund and the Issuer may then withdraw such cash and investment obligations from the Reserve Fund expend such replaced funds and obligations for the purposes the Bonds were issued and, in the event the Bonds were issued for more than one purpose for the purposes and in the same proportion as the purposes for which the Bonds were issued so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Bonds, and (ii) the Issuer obtains opinion of Bond Counsel to the effect that such actions will not, and in and of themselves, adversely affect the exclusion from gross income of interest on the Bonds (if not taxable obligations) for federal income tax purposes.

The Revenue Bond Fund, Reserve Fund, and the Sinking Fund provide for in this Section shall all be and constitute trust funds for the purposes provided in this Bond Ordinance, and the Owners of the Bonds issued pursuant to this Bond Ordinance are granted a lien on all such funds until applied in the manner provide herein. The moneys in such funds shall at all times be secured to the full extent thereof by the bank or trust company holding such funds in the manner required by the laws of the State of Louisiana.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

All moneys remaining the Revenue Fund on the 20th day of each month after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may have not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the imposition of the Taxes is authorized.

All or any part of the moneys in the Reserve Fund shall, at the written request of the issuer, be invested in direct obligations of the United States of America, maturing in five (5) years or less. The income on such funds shall be added to the Revenue Bond Fund, provided that if the amount in the Reserve Fund at any time is less than the Reserve Fund Requirement, then any income derived from such investments in the Reserve Fund shall be retained in the Reserve Fund. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the respective funds are herein created.

NOTE I: ACCOUNTS, SALARIES, AND OTHER PAYABLES

A summary of payables at June 30, 2015 is as follows:

<u>Class of Payables</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>
Accounts payable	\$ 534,244	\$ 793,696	\$ 280,430
Accrued expenses	134,757		597,288
Total	<u>\$ 669,001</u>	<u>\$ 793,696</u>	<u>\$ 877,718</u>

NOTE J: AD VALOREM TAXES

Ad valorem taxes are levied and are actually billed to the taxpayers in December of each year. Billed ad valorem taxes become delinquent on January 2nd of the following calendar year. If ad valorem taxes are unpaid by June 30, the property is offered at a tax sale, and thirty days after the tax sale a lien is placed on the property.

The East Baton Rouge Parish Sheriff's office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2015 calendar year, taxes of 3.17 mils were levied (6.75 mils authorized) on property with assessed valuations totaling \$129,767,790 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2015 totaled \$448,465.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN

The City of Zachary's office implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting Related to Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68.

These standards require that the City of Zachary's office to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

Substantially all employees of the City of Zachary are members of either, the Municipal Employees Retirement System of Louisiana, the Municipal Police Employees Retirement System of Louisiana, the Firefighters' Retirement System, or the Louisiana State Employees' Retirement System. The systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description:

All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provided 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. MERS issues an annual publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Retirement Benefits:

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria: (1) any age with twenty-five (25) or more years of creditable service, (2) Age 60 with a minimum of ten (10) years of creditable service, (3) any age with five (5) years of creditable service eligible for disability benefits, (4) survivor's benefits require five (5) years of creditable service at death of member, or (5) any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit. Any member of Plan B who was hired before January 1, 2013 can retire providing the member 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, or (4) survivor's benefits require five (5) years creditable service at death of member. Eligibility for Retirement for Plan A and Plan B members hired on or after January 1, 2013 is as follows: (1) age 67 with seven (7) or more years of creditable service, (2) age 62 with ten (10) or more years of creditable service, (3) age 55 with thirty (30) or more years of creditable service, or (4) any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued service to that age.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

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

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

Survivor Benefits:

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

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

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

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

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits would be payable, had the person elected to cease employment and received 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.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

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 non, 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 A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

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

Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant 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:

Both plans provide for deferred benefits for members who terminate before becoming eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Employer Contributions:

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2014, the actual employer contribution rate was 18.75% for Plan A and 8.75% for Plan B. For the year ended June 30, 2014, the actuarially determined employer contribution rate was 20.62% for Plan A and 9.82% for Plan B. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 19.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2015, 2014, and 2013, totaled \$418,766, \$395,800, and \$441,491, respectively, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2015, the City reported a liability of \$1,224,909 for its governmental activities and \$1,915,882 for its business-type activities for its proportionate share of the net pension liability for MERS, totaling \$3,140,791. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. 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, 2014, the City's proportion for MERS was 1.2238%, which was a decrease of .0473% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$83,023 for its governmental activities for MERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$4,012, and recognized pension expense of \$129,857 for its business-type activities for MERS less employer's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions, \$6,274.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for its governmental activities and business-type activities for MERS from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (64,397)	\$ -	\$ (100,724)
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(113,644)	-	(177,752)
Changes in proportion and differences between Employer contributions and proportionate share of contributions Employer contributions subsequent to the measurement date	-	(34,789)	-	(54,414)
	<u>163,319</u>	<u>-</u>	<u>255,447</u>	<u>-</u>
Total	<u>\$ 163,319</u>	<u>\$ (212,830)</u>	<u>\$ 255,447</u>	<u>\$ (332,890)</u>

The City reported a total for MERS of \$163,319 for its governmental activities and \$255,447 for its business-type activities as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2014, which will be recognized as a reduction in net pension liability for the year ended June 30, 2016.

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

Year	Governmental Activities	Business-Type Activities
2015	\$ (80,345)	\$ (125,668)
2016	(80,345)	(125,668)
2017	(29,080)	(45,485)
2018	(29,077)	(45,480)
	<u>\$ (218,847)</u>	<u>\$ (342,301)</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for MERS as of June 30, 2014 is as follows:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years for Plan A and 4 years for Plan B
Investment Rate of Return	7.75%, net of investment expense
Projected Salary Increases	5.75% (3% inflation, 2.75% merit)
Mortality Rates	RP-2000 Employee Table for Active Members RP-2000 Health Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Table for disabled annuitants
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.75%
Public fixed income	15%	0.83%
Alternatives	35%	1.92%
Totals	100%	5.50%
Inflation		2.80%
Expected Arithmetic Nominal Return		8.30%

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Mortality Rate:

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2006 through June 30, 2010. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table represents the City's proportionate share of the net pension liability (NPL) using the discount rate for MERS as well as the City's proportionate share of the NPL would be if it were calculated using the a discount rate that is one percentage-point lower or one percentage higher than the current rate used by MERS:

	Governmental Activities		
		Current	
	1.0% Decrease 6.75%	Discount Rate 7.75%	1.0% Increase 8.75%
Net Pension Liability	\$ 1,702,175	\$ 1,224,909	\$ 817,755
	Business-Type Activities		
		Current	
	1.0% Decrease 6.75%	Discount Rate 7.75%	1.0% Increase 8.75%
Net Pension Liability	\$ 2,662,376	\$ 1,915,882	\$ 1,279,053

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description:

All of the City's full-time police employees participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. MPERS was established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers of Louisiana. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809-7601 or by calling (225) 929-7411.

Retirement Benefits:

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

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 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 \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013. Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 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 ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

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 the 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:

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

If the member elects a money market investment return, the funds are transferred to a government money market account.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Initial Benefit Option Plan:

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

Employer Contributions:

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2014, total contributions due for employers and employees were 41%. 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 31% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33% 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 33.5% and 7.5%, respectively. The actuarial required employer and employee combined contribution for June 30, 2014 was 41.53%.

Plan members are required by state statute to contribute 10.00 percent of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 31.50 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2015, 2014, and 2013 total \$653,745, \$635,028, and \$636,059, respectively, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2015, the City reported a liability of \$5,109,617 for its proportionate share of the net pension liability for MPERS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. 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, 2014, the City's proportion for MPERS was .8167%, which was an increase of .0898% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$813,694 for MPERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$36,823.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for MPERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (89,867)
Changes of assumptions	-	(1,383)
Net difference between projected and actual earnings on pension plan investments	-	(1,156,298)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	538,506	(30,686)
Employer contributions subsequent to the measurement date	<u>653,745</u>	<u>-</u>
Total	<u>\$ 1,192,251</u>	<u>\$ (1,278,234)</u>

The City reported a total for MPERS of \$653,745 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2014, which will be recognized as a reduction in net pension liability for the year ended June 30, 2016.

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>	
2015	\$ (146,126)
2016	(146,035)
2017	(146,126)
2018	<u>(295,212)</u>
	<u>\$ (733,499)</u>

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for MPERS as of June 30, 2014 is as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Valuation Date	June 30, 2014	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Inflation Rate	3%	
Expected Remaining Service Lives	4 years	
Investment Rate of Return	7.5%, net of investment expense	
Projected Salary Increases	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1	10.00%
	2	6.00%
	3 - 19	4.30%
	20 - 29	5.50%
	30 & Over	4.00%

Mortality

Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2003 through June 30, 2008. The RP-2000 Employee Mortality Table was selected for active members. The RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. The RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	52%	5.43%
Fixed income	20%	2.35%
Alternatives	23%	4.51%
Other	5%	4.07%
Totals	100%	4.82%
 Inflation		3.25%
Expected Arithmetic Nominal Return		8.07%

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Discount Rate:

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

Mortality Rate:

The mortality rate assumption used was verified by upon an experience study performed by the prior actuary on plan data for the period July 1, 2003 through June 30, 2008 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables.

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

The following table represents the City's proportionate share of the net pension liability (NPL) using the discount rate for MPERS as well as the City's proportionate share of the NPL would be if it were calculated using the a discount rate that is one percentage-point lower or one percentage higher than the current rate used by MPERS:

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
Net Pension Liability	\$ 7,377,412	\$ 5,109,617	\$ 3,204,877

Firefighters' Retirement System (FRS)

Plan Description:

All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS was established by Act 434 of 1979 and amended by LRS 11:2251-11:2272 to provide retirement, disability, and survivor benefits to participating, eligible firefighters in Louisiana. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System of Louisiana, P.O. Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Retirement Benefits:

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment.

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

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

Deferred Retirement Option Plan:

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan:

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

Employer Contributions:

Employer contributions are actuarially determined each year. For the year ended June 30, 2014, employer and employee contributions for members above the poverty line were 28.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 30.25% and 8.0%, respectively.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Plan members are required by state statute to contribute 10.00 percent of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 28.25%). The contribution requirements of plan member and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2015, 2014, and 2013 totaled \$374,721, \$321,640, and \$252,560, respectively, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2015, the City reported a liability of \$2,528,496 for its proportionate share of the net pension liability for FRS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. 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, 2014, the City's proportion for FRS was .5682%, which was an increase of .0273% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$346,234 for FRS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$6,668.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for FRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (61,888)
Changes of assumptions	-	(1,553)
Net difference between projected and actual earnings on pension plan investments	-	(224,427)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	121,580	(5,557)
Employer contributions subsequent to the measurement date	374,721	-
Total	<u>\$ 496,301</u>	<u>\$ (293,425)</u>

The City reported a total for FRS of \$374,721 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2014, which will be recognized as a reduction in net pension liability for the year ended June 30, 2016.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

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>		
2015	\$	(47,529)
2016		(47,529)
2017		(47,530)
2018		(47,530)
2019		8,583
2020		8,581
	<u>\$</u>	<u>(172,954)</u>

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for FRS as of June 30, 2014 is as follows:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Inflation Rate	3% per annum
Expected Remaining Service Lives	7 years
Investment Rate of Return	7.5% per annum
Projected Salary Increases	Vary from 15.0% in the first two years of service to 5.5% after 14 years
Mortality	Mortality assumptions were set after reviewing an experience study performed on plan data for the period July 1, 2004 through June 30, 2009. Pre and post-mortality life expectancies of participants based on the RP-2000 Healthy Annuitant Mortality Table, set back one year, for healthy annuitants and beneficiaries. RP-2000 Employee Mortality Table, set back one year, for active members. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Cost of Living Adjustments	Only those previously granted

The estimated 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term geometric expected rate of return was 8.10% as of June 30, 2014. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2014 are summarized in the following table:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	24%	1.93%
Equity	51%	5.31%
Alternatives	15%	5.70%
Other	10%	3.81%
Totals	100%	4.69%
Inflation		3.25%
Expected Arithmetic Nominal Return		7.94%

Discount Rate:

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

Mortality Rate:

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2004 through June 30, 2009. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

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

The following table represents the City's proportionate share of the net pension liability (NPL) using the discount rate for FRS as well as the City's proportionate share of the NPL would be if it were calculated using the a discount rate that is one percentage-point lower or one percentage higher than the current rate used by FRS:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
Net Pension Liability	\$ 3,717,298	\$ 2,528,496	\$ 1,526,724

Louisiana State Employees' Retirement System

Plan Description:

All of the Zachary's City Court (a component unit) employees, including judges, participate in the Louisiana State Employees' Retirement System (LASERS), a multiple-employer, cost-sharing, defined benefit pension plan. Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Retirement Benefits:

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of LASERS rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials received an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to basic retirement benefits, a member may elect to received their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life, with certain benefits being paid to their designated beneficiary after their death.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Act 992 on the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will received a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classifications but generally is ten years of service.

Deferred Retirement Benefits:

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit plan (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate at one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004 are required to enter the SDP as described above.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Disability Benefits:

All members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor Benefits:

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Permanent Benefit Increases/Cost of Living Adjustments:

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions:

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from the member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2015 for the various plans follow:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
Regular Employees and Appellate Law Clerks			
Pre Act 75 (hired before 7/1/2006)	Closed	7.5%	37.0%
Post Act 75 (hired after 6/30/2006)	Open	8.0%	37.0%
Optional Retirement Plan (ORP)			
Pre Act 75 (hired before 7/1/2006)	Closed	7.5%	37.0%
Post Act 75 (hired after 6/30/2006)	Closed	8.0%	37.0%
Legislators	Closed	11.5%	41.2%
Special Legislative Employees	Closed	9.5%	41.2%
Judges hired before 1/1/2011	Closed	11.5%	41.2%
Judges hired after 12/31/2010	Open	13.0%	36.2%
Corrections Primary	Closed	9.0%	39.9%
Corrections Secondary	Closed	9.0%	40.8%
Wildlife Agents	Closed	9.5%	46.9%
Peace Officers	Closed	9.0%	41.5%
Alcohol Tobacco Control	Closed	9.0%	44.8%
Bridge Police	Closed	8.5%	35.3%
Hazardous Duty	Open	9.5%	35.6%

The City's contractually required composite contribution rate for the year ended June 30, 2015 was 41.50% for the City and 18.50% for the City Court, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the City were \$3,686 for the year ended June 30, 2015 and contributions to the pension from City Court were \$33,368 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2015, the City reported a liability of \$30,889 for its proportionate share of the net pension liability for LASERS and the City Court reported a liability of \$241,299. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City and City Court'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, 2014, the City's proportion for LASERS was .00049%, which was a decrease of .00001% from its proportion measured as of June 30, 2013. At June 30, 2014, the City Court's proportion for LASERS was .00386%, which was an increase of .00077% from its proportion measured as of June 30, 2013.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

For the year ended June 30, 2015, the City recognized pension expense of \$2,437 for LASERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$185. The City Court recognized pension expense of \$19,355 for LASERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$604.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for LASERS from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (550)	\$ -	\$ (4,300)
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(3,908)	-	(30,527)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	(364)	148	56,164	2,417
Employer contributions subsequent to the measurement date	3,686	-	33,368	-
Total	\$ 3,322	\$ (4,310)	\$ 89,532	\$ (32,410)

The City reported a total for LASERS of \$3,686 and the City Court reported a total for LASERS of \$33,368 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2014, which will be recognized as a reduction in net pension liability for the year ended June 30, 2016.

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

Year	Primary Government	Component Unit
2015	\$ (1,215)	\$ (9,177)
2016	(1,215)	(9,177)
2017	(940)	(7,028)
2018	(940)	(7,028)
	\$ (4,310)	\$ (32,410)

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in LASERS target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Cash	0%	0.50%
Domestic equity	27%	4.69%
International equity	30%	4.83%
Domestic Fixed Income	11%	2.34%
International Fixed Income	2%	4.00%
Alternative Investments	23%	8.09%
Global Asset Allocation	7%	3.42%
Totals	100%	5.78%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for LASERS as of June 30, 2014 is as follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

Valuation Date	June 30, 2014																					
Actuarial Cost Method	Entry Age Normal																					
Actuarial Assumptions:																						
Inflation Rate	3.0% per annum																					
Expected Remaining Service Lives	3 years																					
Investment Rate of Return	7.75% per annum																					
Mortality	Non-disabled members - Mortality rates based on RP-2000 Combined Health Mortality Table with mortality improvement projected to 2015. Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.																					
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																					
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																					
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Lower</u></th> <th style="text-align: center;"><u>Upper</u></th> </tr> <tr> <th style="text-align: left;"><u>Member Type</u></th> <th style="text-align: center;"><u>Range</u></th> <th style="text-align: center;"><u>Range</u></th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">4.0%</td> <td style="text-align: center;">13.0%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">3.0%</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> </tbody> </table>		<u>Lower</u>	<u>Upper</u>	<u>Member Type</u>	<u>Range</u>	<u>Range</u>	Regular	4.0%	13.0%	Judges	3.0%	5.5%	Corrections	3.6%	14.5%	Hazardous Duty	3.6%	14.5%	Wildlife	3.6%	14.5%
	<u>Lower</u>	<u>Upper</u>																				
<u>Member Type</u>	<u>Range</u>	<u>Range</u>																				
Regular	4.0%	13.0%																				
Judges	3.0%	5.5%																				
Corrections	3.6%	14.5%																				
Hazardous Duty	3.6%	14.5%																				
Wildlife	3.6%	14.5%																				
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																					

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

The following table represents the City and City Court's proportionate share of the net pension liability (NPL) using the discount rate for LASERS as well as the City and City Court's proportionate share of the NPL would be if it were calculated using the a discount rate that is one percentage-point lower or one percentage higher than the current rate used by LASERS:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

	Primary Government		
	1.0% Decrease 6.75%	Current Discount Rate 7.75%	1.0% Increase 8.75%
	\$	\$	\$
Net Pension Liability	39,618	30,889	23,490

	Component Unit		
	1.0% Decrease 6.75%	Current Discount Rate 7.75%	1.0% Increase 8.75%
	\$	\$	\$
Net Pension Liability	294,489	241,299	174,609

Summarized Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources

At June 30, 2015, the City reported a total liability of \$8,893,911 for its governmental activities and \$1,915,882 for its business-type activities for its proportionate share of the net pension liability and the City Court reported a total liability of \$241,299 for its proportionate share of the net pension liability.

For the year ended June 30, 2015, the City recognized total pension expense of \$1,245,388 for its governmental activities and \$129,857 for its business activities plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$39,264 for its governmental activities and \$6,274 for its business-type activities. The City Court recognized total pension expense of \$19,355 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$604.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: PENSION PLAN, continued

At June 30, 2015, the city reported total deferred outflows of resources and total deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (216,702)	\$ -	\$ (100,724)	\$ -	\$ (4,300)
Changes of assumptions	-	(2,936)	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(1,498,277)	-	(177,752)	-	(30,527)
Changes in proportion and differences between Employer contributions and proportionate share of contributions Employer contributions subsequent to the measurement date	659,722	(70,885)	-	(54,414)	56,164	2,417
	<u>1,195,471</u>	<u>-</u>	<u>255,447</u>	<u>-</u>	<u>33,368</u>	<u>-</u>
Total	<u>\$ 1,855,193</u>	<u>\$ (1,788,800)</u>	<u>\$ 255,447</u>	<u>\$ (332,890)</u>	<u>\$ 89,532</u>	<u>\$ (32,410)</u>

NOTE L: OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City of Zachary's medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or age 60 and 10 years of services; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

Life insurance coverage in the flat amount of \$2,500 is provided to retirees (not dependents) and the blended rate (for active and retired combine) is approximately \$0.84 per \$1,000 of insurance. The employer pays 90% of the "cost" of the retiree life insurance, but it is based on the blended rate. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

Fund Policy. Until 2008, the City of Zachary recognized the cost of providing post-employment medical and life benefits (City of Zachary's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2015, the City of Zachary's portion of health care and life insurance funding costs for retired employees totaled \$310,087.

Effective with July 1, 2008, the City of Zachary implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation shown in the following table.

Annual Required Contribution. City of Zachary's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2015
Normal Cost	\$ 511,358
30-year UAL amortization amount	781,823
	\$ 1,293,181

Net Post-employment Benefit Obligation (Asset). The table below shows City of Zachary's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2015:

	2015
Beginning Net OPEB Obligation (Asset) 7/1/2014	\$ 5,521,709
Annual required contribution	1,293,181
Interest on Net OPEB Obligation (Asset)	220,868
ARC Adjustment	(319,321)
OPEB Cost	1,194,728
Contribution	-
Current year retiree premium	(310,087)
Change in Net OPEB Obligation	884,641
Ending Net OPEB Obligation (Asset) 6/30/2015	\$ 6,406,350

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical/Life	June 30, 2015	\$ 1,194,728	25.95%	\$6,406,351
Medical/Life	June 30, 2014	\$1,159,516	26.94%	\$5,521,709

Funding Status and Funding Progress. In 2015, the City of Zachary made no contributions to its post employment benefits plan. The plan was not funded, has no assets, and hence has a funded ratio of zero. As of July 1, 2014 the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2015 was \$14,060,141 which is defined as that portion, as determined by a particular actuarial cost method (the City of Zachary uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	<u>2015</u>
Actuarial Accrued Liability	\$ 14,060,141
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>14,060,141</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	5,978,394
UAAL as a percentage of covered payroll	235.18%

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

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

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

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

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

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry), as described above under "Plan Description," except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Codification P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a percentage of the cost of the medical insurance for the retiree and dependents. The percentage is 90% of the total premium for employee only coverage and 75% of the total premium for family coverage. The rates to which these percentages apply are blended rates between active and retired. We have therefore estimated the "unblended" rates to be 130% of the blended rates for pre-Medicare eligibility and 80% of the blended rates for post-Medicare eligibility coverage. The Dental plan was included in the medical portion of this valuation but zero trend was used for the dental of the premium.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

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

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

Below is a summary of OPEB cost and contributions for the year last four fiscal calendar years.

	OPEB Costs and Contributions		
	FY 2013	FY 2014	FY 2015
OPEB Cost	\$ 1,126,645	\$ 1,159,516	\$ 1,194,728
Contribution	-	-	-
Retiree premium	289,215	312,352	310,087
Total contribution and premium	289,215	312,352	310,087
Change in net OPEB obligation	\$ 837,430	\$ 847,164	\$ 884,641
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	25.67%	26.94%	25.95%

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OPERATING TRANSFERS

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2015 as follows:

	Operating Transfers	
	In	Out
General Fund:		
Component Unit - City Court	\$ 60,000	\$ -
Debt Service Fund	1,296,888	
Special Revenue Fund		1,296,888
Component Unit - City Court:		
General Fund	-	60,000
	-	60,000
Totals	\$ 1,356,888	\$ 1,356,888

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. These transfers were eliminated in preparation of the Government-Wide Financial Statements.

NOTE N: RELATED PARTY TRANSACTIONS

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2015 the City paid \$382,704 on behalf of City Court.

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2015 City Court paid \$60,000 to the City of Zachary.

NOTE O: COMPONENT UNIT – DISTRICT INDIGENT DEFENDER FUND – GOVERNMENTAL FUND REVENUES

For the year ended June 30, 2015, the major sources of governmental fund revenues were as follows:

Local Government:	
Statutory fines, forfeitures, fees, court costs, and other	\$ 835,147

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE P: LITIGATION, CLAIMS AND JUDGEMENTS

There are eight pending lawsuits in which the City of Zachary is currently involved. The City Attorney states that there is no significant liability on behalf of the City for seven of these lawsuits. The estimated exposure ranges from \$5,000 to \$50,000 per suit for seven lawsuits.

The City is involved in an adverse suit with the Zachary Housing Partners. The Zachary Housing Partners were alleged wrongful denial of building permits for apartment complex on McHugh Road. An adverse result was received from the 19th JDC. A Summary hearing was appealed to the 1st Circuit which upheld decision of the Trial Court. This was affirmed by the 1st Circuit and Writ denied by the Supreme Court of Louisiana. The matter was settled on October 15, 2015 by compromise between the parties calling for annual status reports to the court following annual payments to plaintiffs by the City. The compromise is a structured payout of \$2,650,000 over the next six years. The schedule is as follows:

11-18-2015	\$1,100,000
11-18-2016	600,000
11-18-2017	275,000
11-18-2018	275,000
11-18-2019	200,000
11-18-2020	200,000

The \$2,650,000 was recorded as a liability on the Statement of Net Position at June 30, 2015.

NOTE Q: NEW ACCOUNTING PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City of Zachary implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by Statement No. 67. The net effect of the entity-wide Statement of Net Position for the prior year that resulted from the adoption of GASB 68 is as follows:

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Net Position June 30, 2014, as previously reported	\$ 25,359,626	\$ 17,241,088	\$ 42,600,714	\$ 174,485
Net Pension Liability at June 30, 2014	(10,184,910)	(2,403,212)	(12,588,122)	(224,950)
Deferred Outflow of Resources	1,114,254	241,438	1,355,692	26,760
Net Position, June 30, 2014, as restated	<u>\$ 16,288,970</u>	<u>\$ 15,079,314</u>	<u>\$ 31,368,284</u>	<u>\$ (23,705)</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE R: SUBSEQUENT EVENTS

These financial statements considered subsequent events through December 10, 2015 the date the financial statements were available to be issued.

On November 10, 2015, the City of Zachary, Louisiana entered into a cooperative endeavor agreement with the YMCA to provide the City with the use of a portion of the facilities (the "City of Zachary Sponsored Multi-Purpose Training Room") on the YMCA premises located in Zachary, Louisiana. The City of Zachary, Louisiana would use the room as needed and for the reservation and utilization of the space for its future use and purpose.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 7,568,500	\$ 8,305,500	\$ 8,592,996	\$ 287,496
License and permits	482,500	527,500	563,524	36,024
Intergovernmental	725,000	1,600,000	1,904,668	304,668
Charges for services	1,200,000	1,147,500	1,294,040	146,540
Commissions	1,175,000	1,325,000	1,404,853	79,853
Fines and forfeits	185,000	200,000	224,344	24,344
Proceeds from loan	-	-	-	-
Miscellaneous	758,000	525,000	542,176	17,176
TOTAL REVENUES	12,094,000	13,630,500	14,526,601	896,101
EXPENDITURES				
General Government	3,454,100	5,236,300	4,722,448	513,852
Court	425,750	425,750	382,704	43,046
Public Safety -				
Police	4,150,250	4,150,250	3,899,673	250,577
Fire	2,774,250	2,794,250	2,703,750	90,500
Streets	826,500	791,000	664,331	126,669
Sanitation	1,050,000	1,100,000	1,105,874	(5,874)
TOTAL EXPENDITURES	12,680,850	14,497,550	13,478,780	1,018,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(586,850)	(867,050)	1,047,821	1,914,871
OTHER FINANCING SOURCES (USES)				
Transfer from city court	80,000	60,000	60,000	-
TOTAL OTHER FINANCING SOURCES (USES)	80,000	60,000	60,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(506,850)	(807,050)	1,107,821	1,914,871
FUND BALANCES - BEGINNING	8,187,336	8,187,336	8,187,336	-
FUND BALANCES - ENDING	\$ 7,680,486	\$ 7,380,286	\$ 9,295,157	\$ 1,914,871

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes - sales tax	\$ 28,000	\$ 9,000	\$ 28,518	\$ 19,518
Intergovernmental income	-	-	-	-
Other - interest	5,000	-	-	-
TOTAL REVENUES	33,000	9,000	28,518	19,518
EXPENDITURES				
Sales tax collection fee	15,000	15,000	13,317	1,683
Interest expense	-	-	-	-
Operating expense - supplies	505,000	5,000	82,889	(77,889)
Capital outlay- streets	270,000	325,000	8,607,139	(8,282,139)
TOTAL EXPENDITURES	790,000	345,000	8,703,345	(8,358,345)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(757,000)	(336,000)	(8,674,827)	(8,338,827)
OTHER FINANCING SOURCES(USES)				
Loan proceeds	-	-	-	-
Transfers from (to) other funds	-	-	(1,296,888)	(1,296,888)
TOTAL OTHER FINANCING SOURCES(USES)	-	-	(1,296,888)	(1,296,888)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(757,000)	(336,000)	(9,971,715)	(9,635,715)
FUND BALANCES - BEGINNING	10,292,674	10,292,674	10,292,674	-
FUND BALANCES - ENDING	\$ 9,535,674	\$ 9,956,674	\$ 320,959	\$ (9,635,715)

EXHIBIT K

**CITY OF ZACHARY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Public Street Bonds</u>
REVENUES	
Taxes - sales tax	<u>\$ 1,530,786</u>
TOTAL REVENUES	<u>1,530,786</u>
EXPENDITURES	
Principal	470,000
Interest expense	439,425
Bond issue costs and other	<u>-</u>
TOTAL EXPENDITURES	<u>909,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>621,361</u>
OTHER FINANCING SOURCES (USES)	
Transfers from (to) other funds	<u>1,296,888</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>1,918,249</u>
FUND BALANCES - BEGINNING	<u>826,115</u>
FUND BALANCES - ENDING	<u><u>\$ 2,744,364</u></u>

**CITY OF ZACHARY
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 14,060,141	\$ 14,060,141	0.00%	\$ 5,978,394	235.18%
July 1, 2013	\$ -	\$ 13,789,400	\$ 13,789,400	0.00%	\$ 6,343,279	217.39%
July 1, 2012	\$ -	\$ 13,259,038	\$ 13,259,038	0.00%	\$ 6,390,968	207.47%

CITY OF ZACHARY
SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

Retirement System	Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System	2015	1.2238%	\$ 3,140,791	\$ 2,120,342	148.1266%	73.99%
Municipal Police Employees' Retirement System	2015	0.8167%	\$ 5,109,617	\$ 2,075,384	246.2010%	75.10%
Firefighters' Retirement System	2015	0.5682%	\$ 2,528,496	\$ 1,281,096	197.3698%	76.02%
Louisiana State Employees' Retirement System - General Government	2015	0.0005%	\$ 30,889	\$ 8,882	347.7708%	65.00%
Louisiana State Employees' Retirement System - Zachary City Court	2015	0.0037%	\$ 241,299	\$ 80,914	298.2166%	65.00%

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

CITY OF ZACHARY
SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Retirement System	Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Municipal Employees' Retirement System	2015	\$ 418,766	\$ 418,766	\$ -	\$ 2,120,342	19.7499%
Municipal Police Employees' Retirement System	2015	\$ 653,745	\$ 653,745	\$ -	\$ 2,075,384	31.5000%
Firefighters' Retirement System	2015	\$ 374,721	\$ 374,721	\$ -	\$ 1,281,096	29.2500%
Louisiana State Employees' Retirement System - General Government	2015	\$ 3,686	\$ 3,686	\$ -	\$ 8,882	41.4997%
Louisiana State Employees' Retirement System - Zachary City Court	2015	\$ 33,368	\$ 33,368	\$ -	\$ 80,914	41.2388%

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

SUPPLEMENTARY INFORMATION

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:			
Ad valorem - industry	\$ 80,000	\$ 87,575	\$ 7,575
Ad valorem - other	350,000	360,890	10,890
Beer tax	18,500	18,408	(92)
Sales tax	<u>7,857,000</u>	<u>8,126,123</u>	<u>269,123</u>
Total taxes	<u>8,305,500</u>	<u>8,592,996</u>	<u>287,496</u>
Licenses and permits:			
Occupational licenses	340,000	338,537	(1,463)
Building permits	85,000	94,849	9,849
Electrical contractor license	8,000	10,800	2,800
Electrical permits	25,000	33,623	8,623
Other contractor license	11,000	12,450	1,450
Other permits	<u>58,500</u>	<u>73,265</u>	<u>14,765</u>
Total licenses and permits	<u>527,500</u>	<u>563,524</u>	<u>36,024</u>
Intergovernmental:			
911 operations	245,000	252,780	7,780
City - parish street maintenance	75,000	83,102	8,102
Grant - police department	20,000	20,882	882
Grant - other	910,000	1,120,578	210,578
Transportation fund	25,000	25,510	510
Fire District #1	315,000	391,816	76,816
Grant - fire department	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total intergovernmental	<u>1,600,000</u>	<u>1,904,668</u>	<u>304,668</u>
Charges for services:			
Park revenue	77,500	89,779	12,279
Inspection fees	7,500	14,082	6,582
Historical Village revenue	-	200	200
Public works fees	-	92,163	92,163
Refuse collection charges	1,050,000	1,080,398	30,398
Refuse billing fees	<u>12,500</u>	<u>17,418</u>	<u>4,918</u>
Total charges for services	<u>1,147,500</u>	<u>1,294,040</u>	<u>146,540</u>
Commissions:			
Cable franchise fee	290,000	291,106	1,106
Sale of electricity	775,000	815,746	40,746
Sale of insurance	<u>260,000</u>	<u>298,001</u>	<u>38,001</u>
Total commissions	<u>1,325,000</u>	<u>1,404,853</u>	<u>79,853</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Fines and forfeits	200,000	224,344	24,344
Miscellaneous:			
Interest income	-	28	28
City court	60,000	60,000	-
Marshal's fund	75,000	74,027	(973)
Sale of equipment	1,000	641	(359)
Park revenue	-	48,539	48,539
Rental income	12,000	13,800	1,800
Photo speed enforcement	2,000	1,783	(217)
Fire	70,000	69,218	(782)
Police	191,500	221,497	29,997
Proceeds	-	-	-
All other	173,500	112,643	(60,857)
Total miscellaneous	585,000	602,176	17,176
GENERAL GOVERNMENT:			
Finance:			
Salaries - administrative	372,500	370,388	2,112
Sales tax collection fee	72,500	67,207	5,293
Parish tax repayment	-	-	-
Office expense	27,000	22,837	4,163
Electricity	17,000	12,685	4,315
Supplies and maintenance	17,500	16,410	1,090
Insurance	325,000	190,781	134,219
Payroll taxes:			
- Medicare	5,000	4,467	533
- F.I.C.A. and unemployment tax	2,500	1,163	1,337
Worker's compensation insurance	250	68	182
Capital outlays	70,000	67,060	2,940
Hurricane clean up	-	-	-
Telephone	13,000	12,872	128
Uniforms	1,500	370	1,130
Contract services	24,500	20,817	3,683
Computer expense	120,000	96,850	23,150
Phone allowance	3,500	2,535	965
Assessment roll fee	7,000	950	6,050
Code book expense	-	-	-
Official journal	12,500	8,516	3,984
Dues, donations, and subscriptions	12,500	11,653	847
Miscellaneous	12,750	12,055	695
Election expense	7,000	6,643	357
Travel	4,000	1,400	2,600

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Schools and seminars	21,750	2,461	19,289
Retirement	80,000	77,194	2,806
Drug testing	1,500	1,188	312
Attorney fees	-	-	-
Audit	18,000	13,690	4,310
Legal fees	97,000	96,891	109
Insurance consultant	6,000	5,800	200
Bank fees	1,000	393	607
Coke machine	250	-	250
Health insurance	47,000	41,642	5,358
Attorney's health insurance	-	-	-
Total	<u>1,400,000</u>	<u>1,166,986</u>	<u>233,014</u>
Beautification:			
Salary	70,000	58,280	11,720
FICA and medicare	1,500	753	747
Health insurance	20,000	14,070	5,930
Worker's compensation insurance	1,500	438	1,062
Miscellaneous	2,000	2,435	(435)
Vehicle expense	8,000	3,818	4,182
Beautification retirement	15,000	13,189	1,811
Beautification supplies	15,000	14,651	349
Total	<u>133,000</u>	<u>107,634</u>	<u>25,366</u>
Public Relations:			
Animal control fees	65,000	63,730	1,270
Mayor's prayer breakfast	7,000	6,873	127
Community center	9,000	8,119	881
Economic development	177,000	176,924	76
Christmas expense	18,000	17,590	410
Senior citizen center	21,000	20,616	384
Public Relations expense	23,000	22,742	258
Food pantry	12,500	11,523	977
Total	<u>332,500</u>	<u>328,117</u>	<u>4,383</u>
Mayor:			
Mayor's salary	95,000	92,495	2,505
Employee salary	62,500	48,950	13,550
FICA and medicare	3,000	2,007	993
Telephone	5,000	4,645	355
Phone allowance	-	-	-
Vehicle expenses	3,500	2,237	1,263
Vehicle maintenance	2,000	1,789	211

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Miscellaneous	5,250	5,097	153
Retirement	34,000	33,593	407
LMA convention	-	-	-
Travel	6,500	1,553	4,947
Health insurance	23,500	21,991	1,509
Worker's compensation insurance	500	191	309
Total	<u>240,750</u>	<u>214,548</u>	<u>26,202</u>
Commissions and Boards:			
Salaries	69,500	61,887	7,613
FICA and medicare	2,000	1,289	711
Worker's compensation insurance	500	201	299
Retirement	12,750	12,588	162
Health insurance	12,250	11,864	386
Legal	24,500	21,370	3,130
Supplies	750	597	153
Miscellaneous	6,500	6,037	463
Total	<u>128,750</u>	<u>115,833</u>	<u>12,917</u>
Council:			
Salary	20,000	19,005	995
Miscellaneous	2,750	1,535	1,215
Council's salary	54,000	53,751	249
FICA and medicare	5,000	4,945	55
Travel	500	-	500
LMA convention	-	-	-
Retirement	1,500	1,343	157
Health insurance	27,500	25,503	1,997
Worker's compensation insurance	50	26	24
Total	<u>111,300</u>	<u>106,108</u>	<u>5,192</u>
Recreation:			
General recreation expenses	137,000	81,334	55,666
Office supplies	2,500	2,351	149
Salaries	180,000	163,298	16,702
FICA and medicare	5,000	3,426	1,574
Health insurance	35,000	13,859	21,141
Worker's compensation insurance	1,000	714	286
Computer expense	2,000	1,134	866
Travel	500	-	500
Vehicle repairs and maintenance	29,500	3,996	25,504
Equipment maintenance	11,000	21,740	(10,740)

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Retirement	42,500	34,816	7,684
Telephone	7,500	7,058	442
Utilities	35,000	29,279	5,721
Professional services Legal	500	22	478
Capital outlays	1,825,000	1,771,885	53,115
Ground maintenance and building maintenance		10,987	(10,987)
Contract services	25,000	24,194	806
Supplies	8,000	7,139	861
Drug testing	500	260	240
Miscellaneous	15,500	12,901	2,599
Total	<u>2,363,000</u>	<u>2,190,393</u>	<u>172,607</u>
Inspection:			
Office	3,000	2,594	406
Salary	105,000	103,604	1,396
FICA and medicare	2,250	1,809	441
Retirement	30,000	23,041	6,959
Health insurance	50,000	38,645	11,355
Worker's compensation insurance	500	267	233
Vehicle fuel	2,500	1,718	782
Vehicle maintenance	500	119	381
Uniforms	500	10	490
Contracts/services	-	27	(27)
Telephone	3,500	3,039	461
Seminar	1,500	935	565
Dues and subscriptions	500	430	70
Miscellaneous	6,750	3,780	2,970
Capital outlay	-	-	-
Total	<u>206,500</u>	<u>180,018</u>	<u>26,482</u>
Historical village:			
Salary	50,000	49,155	845
FICA and medicare	4,500	3,760	740
Worker's compensation insurance	750	241	509
Exhibits	1,000	223	777
Drug testing	-	195	(195)
Utilities	22,500	21,333	1,167
Miscellaneous	5,000	2,745	2,255
Repairs and maintenance	30,000	29,710	290
Schools and seminars	-	-	-
Capital outlay	202,000	201,826	174
Computer		1,225	(1,225)
Telephone	1,000	782	218

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Other Contractual services	1,750	-	1,750
Office	2,000	1,616	384
Total	320,500	312,811	7,689
Total General Government	5,236,300	4,722,448	513,852
COURT:			
Clerk of Court:			
Court salaries	173,000	165,509	7,491
FICA and medicare	4,500	4,172	328
Worker's compensation insurance	250	38	212
Court retirement	30,500	30,275	225
Health insurance	32,500	29,873	2,627
Miscellaneous	13,500	13,495	5
Court expense	2,500	-	2,500
Total	256,750	243,362	13,388
Judge:			-
Judge's salary	9,250	8,882	368
Medicare	250	71	179
Worker's compensation insurance	250	4	246
Retirement	4,000	3,686	314
Health Insurance	25,000	22,278	2,722
Total	38,750	34,921	3,829
Probation:			
Salary	12,500	11,463	1,037
FICA and medicare	250	143	107
Worker's compensation insurance	250	-	250
Miscellaneous	-	-	-
Health insurance	10,000	8,856	1,144
Total	23,000	20,462	2,538
Prosecutor:			
Prosecutor salary	45,000	33,450	11,550
FICA and medicare	2,750	2,350	400
Worker's compensation insurance	250	7	243
Health insurance	29,750	23,056	6,694
Miscellaneous	7,500	3,782	3,718
Total	85,250	62,645	22,605
Marshall:			
Salary	20,000	19,750	250

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
FICA and medicare	1,750	1,510	240
Worker's compensation insurance	250	54	196
Miscellaneous	-	-	-
Total	<u>22,000</u>	<u>21,314</u>	<u>686</u>
Total Court	<u>425,750</u>	<u>382,704</u>	<u>43,046</u>
PUBLIC SAFETY - POLICE:			
Salaries - police officers	2,270,000	2,187,910	82,090
Office expense	12,500	10,842	1,658
Chief's expense	3,000	2,842	158
Electricity	32,500	31,633	867
Vehicle expense	124,500	119,587	4,913
Supplies and maintenance	60,000	59,718	282
Uniforms	30,500	30,401	99
Telephone	51,000	50,951	49
Clothing allowance	5,000	3,500	1,500
Phone allowance	11,500	11,240	260
Reserve deputies	7,500	5,953	1,547
Miscellaneous	24,750	23,989	761
New hire test	2,750	756	1,994
Fica and Medicare	42,500	36,148	6,352
Retirement	705,000	653,745	51,255
Health insurance	365,000	313,875	51,125
Worker's compensation insurance	5,000	4,314	686
Contracts and services	45,000	43,321	1,679
Dues and subscriptions	4,000	2,547	1,453
D.A.R.E.	12,500	7,814	4,686
Drug testing	3,750	3,516	234
Computer expense	65,000	58,865	6,135
Travel and seminar	46,000	45,681	319
Professional services legal	50,000	33,022	16,978
Capital outlays	171,000	157,503	13,497
Total public safety - police	<u>4,150,250</u>	<u>3,899,673</u>	<u>250,577</u>
PUBLIC SAFETY - FIRE:			
Salaries	1,660,000	1,650,710	9,290
Building repairs	26,000	20,278	5,722
Office expense	10,500	10,372	128
Electricity	27,500	27,053	447

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Vehicle expense	88,000	76,809	11,191
Supplies and maintenance	27,000	26,693	307
Dues and subscriptions	2,000	1,595	405
Uniforms	17,000	13,200	3,800
Protective gear	12,500	7,042	5,458
Telephone	10,000	9,954	46
Phone allowance	4,000	3,067	933
Miscellaneous	16,250	15,681	569
Retirement	375,000	374,721	279
Health insurance	195,000	189,236	5,764
Volunteer fireman	15,000	13,760	1,240
Computer expense	38,000	35,890	2,110
Contracts and services	10,000	9,695	305
Professional services legal	10,000	8,947	1,053
Training	25,000	23,068	1,932
Physicals	15,500	10,692	4,808
Drug testing	3,000	2,800	200
Communication contract	30,000	30,000	-
Fica and medicare	33,000	32,029	971
Worker's compensation insurance	7,500	7,385	115
Fire prevention	10,000	8,020	1,980
Capital outlay	126,500	95,053	31,447
Total public safety - fire	<u>2,794,250</u>	<u>2,703,750</u>	<u>90,500</u>
STREETS:			
Salaries	183,750	164,916	18,834
Office expense	2,500	2,168	332
Electricity	164,000	163,299	701
Vehicle expense	52,250	33,282	18,968
Supplies and maintenance	206,000	143,053	62,947
D.C.I. Expense	60,000	56,837	3,163
Grass cutting contract	20,500	20,050	450
Telephone	5,500	5,312	188
Fica and medicare	5,000	2,519	2,481
Miscellaneous	7,250	7,042	208
Uniforms	2,000	1,782	218
Retirement	32,000	25,568	6,432
Health insurance	30,000	22,652	7,348
Worker's compensation insurance	1,750	541	1,209
Contracts and services	17,500	15,147	2,353
Travel, schools and seminars	-	-	-
Drug testing	1,000	163	837
Total streets	<u>791,000</u>	<u>664,331</u>	<u>126,669</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Sanitation:			
Landfill charges	1,000	822	178
Contracts and services	1,099,000	1,105,052	(6,052)
Total sanitation	\$ 1,100,000	\$ 1,105,874	\$ (5,874)
Total General Fund	\$ 14,497,550	\$ 13,478,780	\$ 1,018,770

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 2

	Actual
Water department:	
Salaries	\$ 318,600
FICA and medicare	3,943
Worker's compensation insurance	769
Compensated absences	1,046
Electricity	141,645
Equipment maintenance	8,905
Vehicle maintenance	7,705
Vehicle fuel	19,009
Supplies	120,850
Telephone	10,107
Miscellaneous	15,089
Retirement	31,051
Uniforms	3,331
Health insurance	64,415
Schools and seminars	1,178
Water tower maintenance	28,814
Contracts/services	322,674
Total water department	1,099,131
 Gas department:	
Salaries	\$ 307,670
FICA and medicare	3,827
Worker's compensation insurance	743
Compensated absences	1,035
Electricity	11,239
Vehicle fuel	19,043
Vehicle equipment maintenance	5,359
Equipment maintenance	6,603
Repairs and maintenance	50,859
Purchase of gas	1,014,692
Telephone	7,720
Miscellaneous	7,618
Retirement	30,770
Uniforms	2,945
Health insurance	63,914
Schools and seminars	11,795
Contracts/services	162,596
Total gas department	1,708,428
 Sewer department:	
Salaries	\$ 232,100
FICA and medicare	3,017
Worker's compensation insurance	479

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 2

	Actual
Compensated absences	858
Electricity	41,492
Equipment maintenance	7,299
Vehicle maintenance	5,348
Vehicle fuel	18,967
Supplies	8,331
Phone allowance	-
Telephone	8,024
Uniforms	2,576
Miscellaneous	8,504
Retirement	22,131
Health insurance	50,180
Contracts/services	346,450
Schools and seminars	976
Sewer rehab	-
Total sewer department	756,732
 Mechanic:	
Salaries	\$ 44,484
FICA and medicare	596
Worker's compensation insurance	113
Compensated absences	183
Electricity	3,449
Building maintenance	53
Vehicle maintenance	44
Vehicle fuel	489
Supplies	113
Telephone	2,887
Miscellaneous	1,018
Retirement	4,020
Health insurance	10,166
Contracts/services	58
Total mechanic	67,673
 Warehouse	
Salaries	\$ 81,489
FICA and medicare	1,124
Worker's compensation insurance	254
Compensated absences	125
Electricity	3,671
Building maintenance	25,436
Vehicle maintenance	823
Vehicle fuel	1,170

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 2

	Actual
Supplies	1,049
Telephone	3,553
Miscellaneous	12,315
Retirement	15,261
Health insurance	13,789
Schools and seminars	-
Total warehouse	160,059
General and administrative:	
Salaries	\$ 264,507
FICA and medicare	7,619
Worker's compensation insurance	338
Compensated absences	654
Insurance	55,220
Retirement	23,149
Health insurance	33,008
Printing	60,728
Supplies	7,855
Bank fees	5,840
Computer expense	45,896
Professional services	18,675
Maintenance and services	197,695
Building maintenance	15,020
Miscellaneous	17,978
Inspection fees	-
Collection expense	275
Drug testing	3,589
Total general and administrative	758,046
Depreciation	\$ 1,346,371

**COMPONENT UNIT –
CITY COURT**

CITY OF ZACHARY, LOUISIANA **SCHEDULE 3**
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION - COMPONENT UNIT
CITY COURT
JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 177,835	\$ -	\$ 177,835
Capital assets, net of accumulated depreciation of \$235,725	-	100,814	100,814
Total Assets	177,835	100,814	278,649
<u>DEFERRED OUTFLOWS</u>			
	-	89,532	89,532
<u>LIABILITIES</u>			
	-	286,911	286,911
<u>DEFERRED INFLOWS</u>			
	-	32,410	32,410
<u>FUND BALANCE</u>			
Unassigned	177,835	(177,835)	-
Total Fund Balance	177,835	(177,835)	-
<u>NET POSITION</u>			
Net invested in capital assets	-	-	55,201
Unrestricted	-	-	(6,341)
Total Net Position	\$ -	\$ -	\$ 48,860

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES - COMPONENT UNIT
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 4

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Judiciary:			
Personal services and benefits	\$ 114,282	\$ (14,013)	\$ 100,269
Travel and professional development	5,500	-	5,500
Operating services	237,570	-	237,570
Supplies	100,272	(65,445)	34,827
Intergovernmental (to City of Zachary)	280,998	-	280,998
Depreciation	-	43,418	43,418
Total Expenditures/Expenses	<u>738,622</u>	<u>(36,040)</u>	<u>702,582</u>
<u>PROGRAMS REVENUES AND COLLECTIONS</u>			
Criminal Fees	<u>835,147</u>	-	<u>835,147</u>
Total Program Revenues	<u>835,147</u>	-	<u>835,147</u>
Net Program Costs	<u>96,525</u>	<u>36,040</u>	<u>132,565</u>
<u>GENERAL REVENUES</u>			
Investment earnings	-	-	-
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>			
	96,525	36,040	132,565
Transfers to General Fund	(60,000)	-	(60,000)
<u>FUND BALANCE/NET POSITION:</u>			
Beginning of the Year	141,311	33,174	174,485
Restate beginning net position	-	(198,190)	(198,190)
	<u>141,311</u>	<u>(165,016)</u>	<u>(23,705)</u>
End of the Year	<u>\$ 177,836</u>	<u>\$ (128,976)</u>	<u>\$ 48,860</u>

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEADS
FOR THE YEAR ENDED JUNE 30, 2015**

AGENCY HEAD: David Amrhein, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 92,495
Benefits - insurance	219
Benefits - retirement	18,268
Benefits - other	160
Travel	1,553
Fuel	1,366
Vehicle Maintenance	1,789
Meals and reimbursements	4,937
Phone Allowance	1,200

AGENCY HEAD: David McDavid, Chief of Police

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 74,340
Benefits - insurance	8,868
Benefits - retirement	25,307
Travel/Training	5,110
Fuel	3,750
Chief Expense	2,842
Phone Allowance	1,200
Clothing	700

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION OF BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 6

	Gross Compensation during the year ended 6/30/15
<u>Council Members (Term):</u>	
John Coghlan	\$ 5,656
Brandon Noel	10,750
Francis Nezanaya	10,750
Tommy Womack	10,750
Daniel D. Wallis, Jr.	5,656
Benjamin Cavin	5,095
Laura O'Brien	<u>5,095</u>
	<u>\$ 53,752</u>

SCHEDULE 7

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

Program	CFDA#	Grant Period	Total Expenditures
United States Environmental Protection Agency			
Pass through LA DEQ, Capitalization Grants for			
Clean Water State Revolving Fund			
Loan # 221450-01	66.458	NA	* 573,890
Loan # 221450-02	66.458	NA	* 1,008,525
Total Environmental Protection Agency			<u>1,582,415</u>
United States Department of Housing and Urban Development			
Passed through Louisiana Recovery Unit for			
Community Development Block Grant			
	14.228	8/7/12-8/7/15	* 1,100,740
Total U.S. Department of Housing and Urban Development			<u>1,100,740</u>
Total Expenditures of Federal Awards			<u>\$ 2,683,155</u>

* Major Program

Note 1. Basis of Presentation

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

Note 2. Clean Water State Revolving Fund Loans

This loan is partially reimbursed from the LA DEQ and partially from the U.S. EPA. Due to the fact that this loan is not 100% federal funds, subrecipients should not report expenditures until the audit year that reimbursement is made and confirmed that funds are federal.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2015**

SCHEDULE 8

Name of Insurer	Expiration Date	Type of Coverage	Coverage Limits
Princeton Excess	11/1/2015	General liability building	\$ 3,000,000
Princeton Excess	11/1/2015	Employee practices liability	\$ 3,000,000
Princeton Excess	11/1/2015	Auto liability	\$ 3,000,000
Princeton Excess	11/1/2015	Law Enforcement liability	\$ 3,000,000
Princeton Excess	11/1/2015	Public official	\$ 3,000,000
Southern Insurance (Republic Group)	11/1/2015	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2015	Workers compensation	Statutory limits
Southern Insurance (Republic Group)	11/1/2015	Auto physical damage & scheduled autos	ACV

PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF UTILITY STATISTICS
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

SCHEDULE 9

	<u>2015</u>		<u>2014</u>
Gas customer data are as follows:			
Gas sales	\$ 2,717,566	\$	2,861,465
Gas purchased	\$ 1,014,692	\$	1,366,811
MCF gas sold	233,404		261,196
Number of customers at year end	4,402		4,343
MCF gas purchased	262,366		288,197
MCF gas unaccounted for	28,962		27,001
Average monthly billing per customer	\$ 51.45	\$	54.91
 Water customer data are as follows:			
Water sales	\$ 2,576,200	\$	2,601,356
Thousands of gallons of water sold	856,731		790,349
Number of customers at year end	7,431		7,368
Average monthly billing per customer	\$ 28.89	\$	29.42
 Sewer customer data are as follows:			
Sewer sales	\$ 998,515	\$	959,710
Number of customers at year end	5,060		4,996
Average monthly billing per customer	\$ 16.44	\$	16.01

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

BAXLEY AND ASSOCIATES, LLC

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SCHEDULE 10

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

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

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, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Zachary, Louisiana's basic financial statements and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Zachary, Louisiana'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 opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of the City of Zachary, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Zachary, Louisiana's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2015-006)

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 (continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs be significant deficiencies. (2015-003 and 2015-005)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's and the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-004.

City of Zachary, Louisiana's Response to Findings

City of Zachary, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Zachary, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Baxley & Associates, LLC

Zachary, Louisiana
December 10, 2015

BAXLEY AND ASSOCIATES, LLC

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SCHEDULE 11

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited City of Zachary, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Zachary, Louisiana's major federal programs for the year ended June 30, 2015. City of Zachary, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Zachary, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Zachary, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Zachary, Louisiana's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Zachary, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-007. Our opinion on each major federal program is not modified with respect to this matter.

City of Zachary, Louisiana's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Zachary, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Baxley & Associates, LLC

Plaquemine, Louisiana
December 10, 2015

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are not required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<i>CFDA Number(s):</i>	<i>Name of Federal Program or Cluster:</i>
66.458	U.S. Environmental Protection Agency
14.228	U.S. Department of Housing and Urban Development

Dollar threshold used to distinguish between type A and type B programs: \$300,000
Auditee qualified as low-risk auditee? yes no

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

B. FINDINGS

FINANCIAL STATEMENTS AUDIT FINDINGS

2015-001 1099/W-2 REPORTING

Condition

During the audit, it was noted that allowances, such as clothing and phone allowances, were not reported to the employee on the W-2 or 1099 forms.

Criteria

Amounts disbursed to employees that are greater than \$600 should be reported as income to the employee if documentation is not available to support the expense.

Effect

Miscellaneous tax forms such as 1099-Misc were not properly used.

Recommendation

All allowances, such as travel, clothing, etc., should be reported on employee's W-2 or 1099 forms if there is not proper support for the disbursement.

Management's Response

This oversight has been corrected and should not occur in the future. Policies have been adopted to ensure that this does not occur for future audits.

2015-002 BUDGET

Condition

In a Special Revenue Fund, actual expenditures exceeded budgeted expenditures by more than 100%. This is a repeat finding.

Criteria

The actual expenditures in any of the funds should not exceed the estimated budgeted expenditures by more than 10 percent nor should the budgeted revenue exceed the actual revenues by more than 10 percent.

Effect

The program did not function as originally intended.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation

Continuous efforts should be made by management to monitor revenue and expenditures in relation to the budget. Amendments should be made as they become necessary.

Management's Response

The expenditures in the Special Revenue Fund consisted of road projects that were bid properly and approved by the Council following the approved procedures. These projects were then budgeted in the correct manner as required by the Home Rule Charter and the State. In the budgeting process these expenditures were inadvertently omitted from the final approved budget. Procedures have been adopted to correct this oversight.

2015-003 PROPER REVENUE CLASSIFICATION

Condition

During the performance of revenue testing, it was found that the amount of actual building permits paid to the City of Zachary did not agree to the amount recorded in the general ledger. We also noted mispostings in revenue accounts and amounts recorded in the incorrect fund.

Criteria

Revenue should be properly classified in the correct account and in the correct fund.

Effect

Revenues were not classified in the proper accounts.

Recommendation

Monthly and annual financial statements should be reviewed by management for proper classification. Reclassification adjustments should be made as deemed necessary.

Management's Response

This issue has been an ongoing problem as it relates to the financial operating system adopted by prior management and how it functions with the permits issued by the Inspection Department. Management continues to work with the Company that installed the operating system in an effort to correct this problem and to ensure that the problem is corrected.

2015-004 PUBLIC STREET BONDS – NONCOMPLIANCE WITH BOND AGENT

Condition

It was noted that the City of Zachary was not in compliance with the Public Street bond, Series 2013 bond agreement. The sinking fund cash account should have had one half of the next interest payment and 9/12 of the next principal payment or \$485,962. The sinking fund showed a shortage of \$31,908.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Criteria

At June 30, 2015, ½ of the next semi-annual interest payment and 9/12 of the next annual principal payment due October 1, 2015 should be accumulated in the sinking fund.

Effect

The sinking fund is used to accumulate funds for the principal and interest payments. The sinking fund was below the required amount at June 30, 2015.

Recommendation

Monthly transfers should be made to the sinking fund to accumulate funds for the next principal and interest payment.

Management's Response

This was a timing problem with depositing the monthly interest payment. Each monthly deposit has been properly deposited prior to the year end. Procedures have been adopted to correctly deposit and record the required monthly deposit of interest. The City has adopted the policy where the highest bond payment of all loans is maintained in the proper accounts.

2015-005 LONG-TERM OUTSTANDING CHECKS

Condition

The General Fund has long-term outstanding checks on bank reconciliations that exceed one year.

Criteria

Government Auditing Standards, issued by the Comptroller General of the United States requires governmental units to appropriately reverse long-term outstanding checks and properly handle them in accordance with State escheat laws.

Effect

The lack of appropriately reversing long-term outstanding checks and properly handling them in accordance with State escheat laws causes the bank reconciliations to be distorted.

Recommendation

We recommend implementing a policy to void checks after a certain period of time, but maintaining a report of checks voided in case the payee contacts the City of Zachary to claim their funds. We also recommend adhering to the State's escheat laws regarding unclaimed property.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Management's Response

The City currently has a policy to void outstanding checks on a regular basis. These checks are sent to unclaimed properties at the State. These checks are also removed within six months of their anniversary date. The City will implement a policy to remove these checks at an earlier date.

2015-006 MISPOSTINGS

Condition

The Utility Fund has material mispostings related to the accrual of sewer user fees payable at year end.

Criteria

Internal controls should be in place to ensure proper posting of transactions at year end.

Effect

The mispostings caused incorrect balances in accounts receivable, accounts payable, sewer user fees payable and expenses.

Recommendation

We recommend implementing internal controls to ensure proper posting of sewer user fees payable transactions in accordance with GAAP.

Management's Response

The City will implement controls to ensure the proper posting of accounts.

FEDERAL FINDING

2015-007 FLOW OF FUNDS – CFDA NUMBER 66.458 – CLEAN WATER STATE REVOLVING FUND

Condition

Funds were not transferred to appropriate bond accounts in accordance with the bond agreement.

Criteria

The bond ordinance provides that funds must be transferred from the "Revenue Fund" to the "Revenue Bond Debt Service Fund", on or before the 20th day of the month of each year, at least a sum equal to 1/6th of the interest and administrative fee falling due on the bonds on the next interest payment date and at least a sum equal to 1/12th of the principal falling due on the bonds on any principal payment date that occurs within the next ensuing twelve months.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

The bond ordinance also provides that funds be transferred from the "Revenue Fund" to the "Revenue Bond Debt Service Reserve Fund", such amounts as will increase the total amount to a sum equal to the Reserve Fund Requirement.

Effect

The funds were not transferred to the "Revenue Bond Debt Service Fund" in a timely manner in accordance with the bond agreement.

The total funds in the "Revenue Bond Debt Service Reserve Fund" are not sufficient to meet the reserve fund requirement.

Recommendation

We recommend that the client set up monthly transfers to the "Revenue Bond Debt Service Fund" on or before the 20th of the month in accordance with the bond agreement.

We also recommend that the client transfer funds into the "Revenue Bond Debt Service Reserve Fund" to meet the reserve fund requirement.

Management's Response

This was a timing problem with depositing the monthly interest payment. Each monthly deposit had been properly deposited prior to the year end. Procedures have been adopted to correctly deposit and record the required monthly deposit of interest. The City has adopted the policy where the highest bond payment of all loans is maintained in the proper accounts.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

2014-1 ALLOCATION OF EXPENSES

Condition

It was noted on paid invoices that the allocation of amounts to various expense accounts were not shown.

Recommendation

Distribution of invoice totals to multiple accounts should be recorded on the invoice.

Current Status

This finding was corrected in the current year.

2014-2 BUDGET

Condition

In a Special Revenue Fund, budgeted revenues exceeded the actual revenues by more than 24% and actual expenditures exceeded budgeted expenditures by more than 65%. This is a repeat finding.

Recommendation

Continuous efforts should be made by management to monitor revenue and expenditures in relation to the budget. Amendments should be made as they become necessary.

Current Status

The condition still exists in the current year.

2014-3 PROPER CLASSIFICATION

Condition

During the performance of revenue testing, it was found that the amount of actual building permits paid to the City of Zachary did not agree to the amount recorded in the general ledger. We also noted mispostings in revenue accounts and amounts recorded in the incorrect fund.

Recommendation

Monthly and annual financial statements should be reviewed by management for proper classification. Reclassification adjustments should be made as deemed necessary.

Current Status

This condition still exists in the current year.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

2014-4 PROPER PERIOD RECORDING

Condition

Two checks totaling \$641,411 from the bond construction bank account dated in July 2014 were recorded in June 2014. Due to the nature of this loan, only the proceeds received by City of Zachary at June 30, 2014 are reported on the SEFA. These two disbursements were not reimbursed prior to June 30, 2014, and are not included on the SEFA. However, they are recorded in Bonds Payable and Accounts Receivable – Other at June 30, 2014.

Recommendation

Management should review bank reconciliations and detailed general ledger reports to ensure that checks are recorded in the proper period.

Current Status

This finding was corrected in the current year.

FEDERAL PROGRAM FINDINGS

2014-5 PROPER PERIOD RECORDING

Condition

Two checks totaling \$641,411 from the bond construction bank account dated in July 2014 were recorded in June 2014. Due to the nature of this loan, only the proceeds received by City of Zachary at June 30, 2014 are reported on the SEFA. These two disbursements were not reimbursed prior to June 30, 2014, and are not included on the SEFA. However, they are recorded in Bonds Payable and Accounts Receivable – Other at June 30, 2014.

Recommendation

Management should review bank reconciliations and detailed general ledger reports to ensure that checks are recorded in the proper period.

Current Status

This finding was corrected in the current year.