

CITY OF BOGALUSA, LOUISIANA

*Primary Government Basic Financial
Statements, Independent Auditor's Reports, and
Supplemental Information*

Year Ended December 31, 2017

**City of Bogalusa, Louisiana
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December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa Louisiana (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's discretely presented component units as described in Note 1 to the financial statements. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include

the financial data for its component units. The City has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America, on the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matters

As discussed in notes 5 and 13b to the financial statements, the City is non-compliant with certain bond covenants regarding sinking fund requirements. The effects of this non-compliance are unknown at this time. Also, as described in Notes 15 to the financial statements, the City of Bogalusa's total net pension liability for governmental and business-type activities was approximately \$31.2 million at June 30, 2017, as determined by each of the four pension plans in which the City participates. The related actuarial valuations were performed by each of the pension systems' actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at December 31, 2017, could be under or overstated. My opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Funding Progress and Employer Contributions for its Post Employment Benefits, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions to Each Retirement System and related notes, the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Single Employer Plan Contributions, and the Budgetary Comparison Schedules, on pages 4-11, page 72, page 73, pages 74 - 75, page 76, page 77, and pages 78 - 88, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa's basic financial statements as a whole. The information required by debt agreements, the Schedule of Compensation, Benefits and Other Payments to the Agency Head (compensation schedule), the combining, individual non-major fund financial statements, and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The compensation schedule is required by LA R.S. 24:513. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The combining and individual non-major fund financial statements, the compensation schedule required by state law 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The information required by debt agreements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2018, on my consideration of the City of Bogalusa, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bogalusa, Louisiana
June 30, 2018

**CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

The Management Discussion and Analysis (MD&A) offers the readers of the City of Bogalusa's financial statements a narrative overview of the financial activities of the City of Bogalusa for the fiscal year ended December 31, 2017 and 2016. The City's financial performance is discussed and analyzed in correlation with the accompanying statements and disclosures following this section.

The reader is urged to continue on past the MD&A and review other important sections of this financial report, including footnotes, Required Supplemental Information (RSI), and other supplemental information.

FINANCIAL HIGHLIGHTS

- The assets of the City of Bogalusa exceeded its liabilities, deferred outflows and deferred inflows at the close of 2017 by \$15.12 million (total net position). Unrestricted net position is in a deficit position of \$31.24 million. This deficit position is the result of the City's non-capital related liabilities exceeding unrestricted assets. A major contributing factor to this unfavorable financial position is the balance of the City's net pension liability on the City's participation in various pension plans. Two accounting standards, GASB 68 and GASB 71, requires the proportionate share of the net pension liability for each cost sharing plan and the total City of Bogalusa Employees' Retirement System's net pension liability to be recorded on the City's financials. The total of this liability at December 31, 2017 is \$31.19 million
- During the year, expenses for governmental activities amounted to \$15.41 million. These expenses were paid from revenues of approximately \$15.17 million, consisting of \$9.76 million generated from taxes, \$1.55 million generated from other revenues for governmental programs, \$2.88 million generated from grants and contributions, and \$.98 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to approximately \$4.89 million. These expenses were paid from revenues of \$4.04 million for service charges and \$1.07 million for tax revenues.
- At the close of the fiscal year, the City of Bogalusa's governmental funds reported combined ending fund balances of \$2.62 million, a decrease of approximately \$.32 million. This combined fund balance is largely attributable to amounts accumulated in the Industrial Complex Sales Tax and several debt service funds. Most of these governmental fund balances, except that for the general fund, are restricted as to their use. Business-type funds reported \$10.76 million in total net position (including capital assets) for the close of the fiscal year, or an increase of approximately \$.22 million from prior year total net position, largely because of a decrease in net transfers out.
- The general fund reported a fund balance of \$82,875 as of the end of the fiscal year. This is an increase of \$75,452 over the prior year fund balance of \$7,423. The increase in fund balance was due to a decrease in revenue and other sources of \$75,574 and a decrease in expenditures of \$394,040 which nets to the change in the net loss experienced in 2016 of \$243,014 and the income in 2017 of \$75,452.

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 combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Statements

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between the assets, deferred outflows, liabilities, and deferred inflows is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that gives rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

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. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as balances of available resources that can be used to meet the City's ongoing obligations at the close of the year. Such information may be useful in evaluating the City's near-term financing requirements.

The City uses fifteen *governmental funds*. There are four major governmental funds, which have separately presented information in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, the Industrial Complex Sales Tax Fund, the Landfill Fund, and the General Obligation Bond Sinking Fund. The twelve non-major funds are presented in the aggregate in the governmental fund financial statements. The individual fund financial information is presented in the combining statements found in the Supplemental Information.

The City has one *proprietary type fund*. Proprietary type funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's proprietary type fund is considered to be an enterprise fund, since the costs of activities are paid for by the customer user fees. The enterprise fund accounts for its Utilities System operations, which provides water, sewer, and garbage services.

Fiduciary type fund statements provide financial information on funds for which the City acts as a trustee or agent for the benefit of others, such as the City of Bogalusa Employees' Retirement System.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (Budgetary Comparison Schedules, and the Schedule of Funding Progress, Employee Contributions for the City of Bogalusa Employees' Retirement System and other Statewide cost sharing pension plan schedules and OPEB), as well as supplemental information presented in the form of combining statements of individual fund financial information, detailed Budgetary Comparison Schedules for the General Fund, Schedule of Insurance In-force, and Public Utility System Operations.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City reported combined net position at the end of fiscal year 2017 in the amount of \$15,127,498, a decrease of \$26,229 from fiscal year 2016 when compared to the 2016 net position of \$15,153,727. The schedule of net position below indicates net position for both governmental activities and business-type activities, and combines them into total primary government columns.

Schedule of Net Position (in Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7.45	\$ 7.20	\$ 1.19	\$ 1.21	\$ 8.64	\$ 8.41
Capital assets	31.26	30.32	17.42	17.35	48.68	47.67
Total assets	38.71	37.52	18.61	18.56	57.32	56.08
Deferred outflows of resources	3.17	5.68	0.30	0.51	3.47	6.19
Long-term debt outstanding	30.45	33.45	7.47	8.16	37.92	41.61
Other liabilities	4.46	3.72	0.37	0.34	4.83	4.06
Total liabilities	34.91	37.17	7.84	8.50	42.75	45.67
Deferred inflows of resources	2.61	1.42	0.31	0.03	2.92	1.45
Net position						
Net investment in capital assets	29.83	28.70	13.84	13.18	43.67	41.88
Restricted	2.39	3.05	0.30	0.28	2.69	3.33
Unrestricted	(27.86)	(27.14)	(3.38)	(2.92)	(31.24)	(30.06)
Total net position	<u>\$ 4.36</u>	<u>\$ 4.61</u>	<u>\$ 10.76</u>	<u>\$ 10.54</u>	<u>\$ 15.12</u>	<u>\$ 15.15</u>

The largest portion of the City of Bogalusa's net position (276%) reflects net investment in capital assets (e.g. land, buildings, improvements, streets, bridges, equipment, vehicles, utility systems, and furniture and fixtures), less any related debt or deferred inflows used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net position (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (-198%) represents a deficit that is a result of pension system debt and other liabilities exceeding assets available to pay those liabilities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

Changes in net position

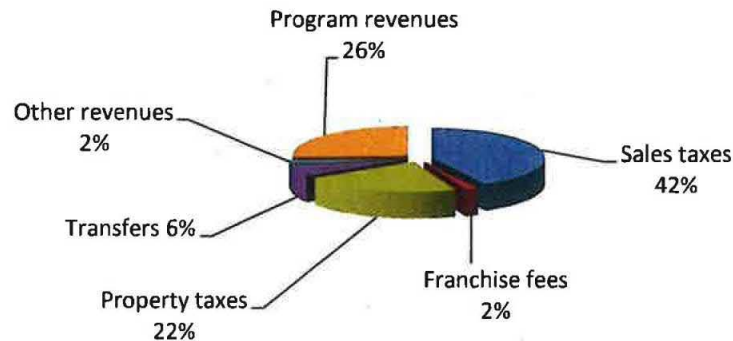
The City's total revenue and expenses for governmental and business-type activities are reflected in the following chart:

Changes in Net Position (in Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1.01	\$ 1.16	\$ 3.94	\$ 4.04	\$ 4.95	\$ 5.20
Oper. grants & contrib.	1.01	1.25	-	0.04	1.01	1.29
Capital grants & contrib.	1.87	0.28	-	0.10	1.87	0.38
General revenues:						
Property and other taxes	3.36	3.25	0.20	0.19	3.56	3.44
Sales taxes	6.40	6.23	0.87	0.86	7.27	7.09
Franchise fees	0.29	0.30	-	-	0.29	0.30
Unrestricted interest	0.02	0.01	0.02	0.03	0.04	0.04
Miscellaneous	0.23	0.15	0.08	0.01	0.31	0.16
Gain (loss) on sale of assets	-	(0.13)	-	-	-	(0.13)
Transfers	0.98	1.72	(0.98)	(1.72)	-	-
Total revenues	15.17	14.22	4.13	3.55	19.30	17.77
Expenses:						
General government	3.94	4.15	-	-	3.94	4.15
Public safety	6.34	6.62	-	-	6.34	6.62
Public works	2.88	3.51	-	-	2.88	3.51
Landfill	0.62	0.57	-	-	0.62	0.57
Culture & recreation	0.40	0.36	-	-	0.40	0.36
Economic development	0.70	0.58	-	-	0.70	0.58
Airport	0.49	0.53	-	-	0.49	0.53
Interest and costs on long term debt	0.05	0.06	-	-	0.05	0.06
Water, sewer, & garbage	-	-	3.91	3.44	3.91	3.44
Total expenses	\$ 15.42	\$ 16.38	\$ 3.91	\$ 3.44	\$ 19.33	\$ 19.82
Change in net position	(0.25)	(2.16)	0.22	0.11	(0.03)	(2.05)
Net position, beginning	4.61	6.77	10.54	10.43	15.15	17.20
Net position, ending	\$ 4.36	\$ 4.61	\$ 10.76	\$ 10.54	\$ 15.12	\$ 15.15

The City's net position within its governmental activities resulted in decreased by \$247,981 because of expenses exceeding revenues for the year. The City's grants and contributions increased by \$1,356,278 in the governmental activities due to ongoing projects funded with federal grants. Expenses decreased by \$487,814 primarily as a result the net pension liability and associated deferrals. The City's ending net position within its business-type activities increased by \$221,752. On a combined basis, the City's decrease in net position, or net loss, was \$26,229.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

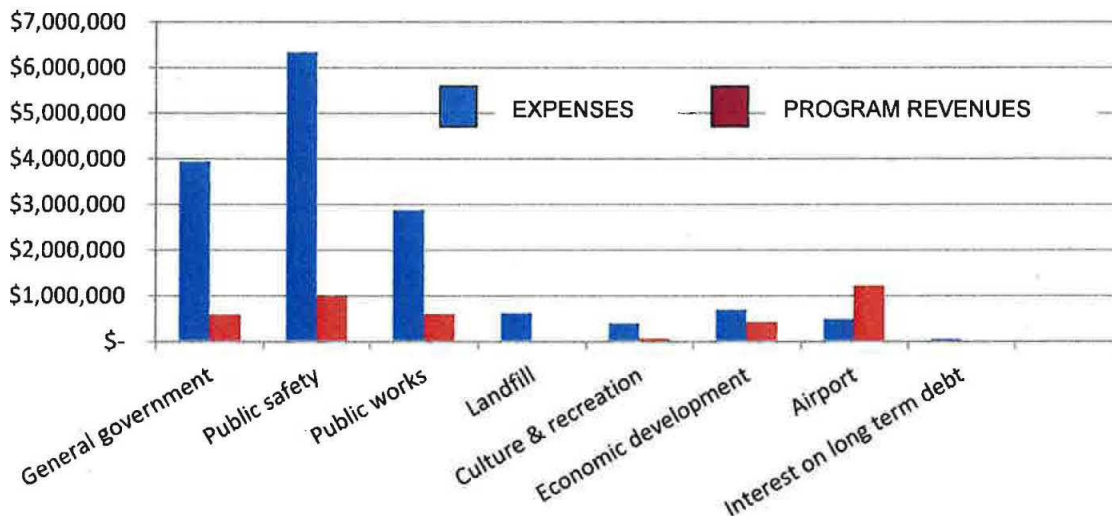
Revenues by Source - Governmental Activities



Revenues for the City's governmental activities for the year ended December 31, 2017 were \$15,166,922. Sales tax and property tax revenues are the largest components of revenues (68%). Sales taxes represent approximately 42% of recurring government activity revenue, exclusive of transfers in, and totaled \$6,397,764 for 2017, a increase of 3% when compared to 2016.

The cost of all governmental activities in 2017 was \$15,414,903, compared to \$16,376,287, in 2016, an decrease of 6% over the prior year largely due to expenses incurred during the flooding that occurred in March 2016. These expenses exceeded the above revenues.

Expenses and Program Revenues - Governmental Activities



The graph above shows the City's seven primary governmental activities in 2017, as well as long-term debt interest, compared to program-generated revenues covering those expenses. General revenues, such as taxes, cover the remaining costs.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

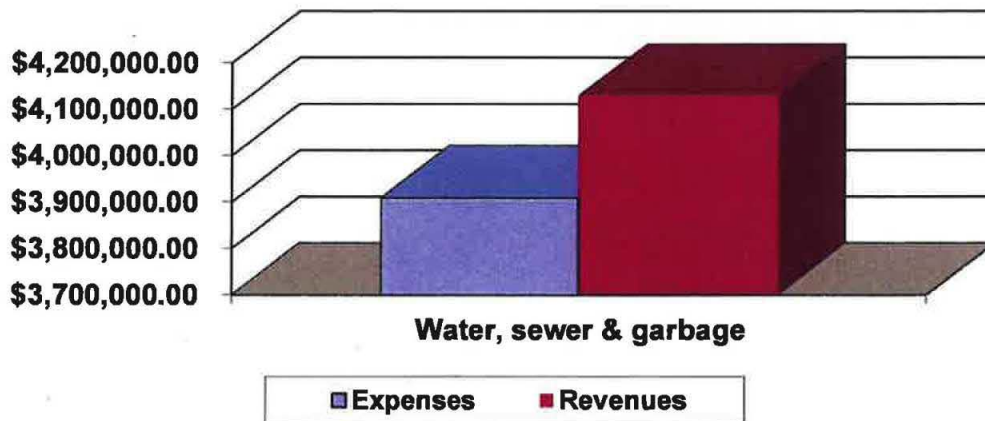
The following graph indicates business-type activities revenues by source:

Revenues by Source - Business-type Activities



Revenues for the City's business-type activities for the year ended December 31, 2017 were \$5,108,777. User fees are by far the largest source of revenue (77%) for the City's utility system and garbage collections. Sales tax revenue (17%) is largely dedicated to the payment of long-term debt incurred on the sewer system upgrade. The City's utility system business-type activities are related to water, sewer, and garbage collection activities.

Expenses and Revenues - Business-type Activities



The above graph reveals that the utility system fully supports itself. Of the revenues generated from the utility system, the City was able to net transfer \$977,507 from the business-type activities to subsidize the governmental activities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2017, the City reported combined fund balances in *governmental funds* of approximately \$2.62 million, a decrease of \$.32 million from 2016. The General Fund reported a fund balance of approximately \$82,875 at December 31, 2017, which represents an increase in the fund balance of approximately \$75,000 from 2016. The decrease in fund is primarily due to expenses related to the March 2016 flood and increases in landfill expenditures. The General Fund is the city's primary operating fund.

The largest fund balance (\$1.75 million) is reported in the Industrial Complex Sales Tax Fund. This fund experienced a \$0.44 million decrease from 2016 largely due to increases in capital outlay expenditures. The landfill, debt service and other governmental funds report aggregate fund balances of approximately \$0.79 million, an increase of \$0.05 million over 2016. The balances within the Industrial Park Sales Tax Fund and the other governmental funds are, with minor exceptions, restricted as to use and cannot be used to fund general operations.

The Proprietary Fund (the Utility System) reported an increase in net position, resulting from revenues exceeding expenses and transfers by \$0.22 million. This bottom-line net income for the System included \$.89 million of depreciation expense, and therefore, the utility system's net income before depreciation, a measurement of operations commonly used in the private sector, was \$1.11 million.

General Fund Budgetary Highlights

During the fiscal year, the 2017 budget was revised to reflect an anticipated increase in revenues and an increase in expenditures. Actual results for 2017 showed revenues and transfers-in falling short of the final budget by \$439,628. Actual expenditures were \$246,374 less than budgeted.

The General Fund operated at a surplus (or net change in fund balance) of \$75,452 for 2017. When this operating surplus is added to the fund balance of \$7,423 at the beginning of the year, the resulting general fund balance resulted in a surplus at December 31, 2017 of \$82,875.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$48.69 million (net of depreciation) in a broad range of capital assets, including police, fire, and public works equipment, buildings, park facilities and road, sewer and water system infrastructures. The following table represents capital assets at December 31, 2017, at cost less accumulated depreciation:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>COST</u>						
Land	\$ 1,769,965	\$ 1,769,965	\$ -	\$ -	\$ 1,769,965	\$ 1,769,965
Buildings	20,407,542	20,387,263	9,320,468	9,320,468	29,728,010	29,707,731
Equipment	4,865,581	4,344,239	395,002	391,808	5,260,583	4,736,047
Infrastructure	29,741,235	29,731,550	13,890,387	13,617,420	43,631,622	43,348,970
Improvements	-	-	18,307,443	18,279,473	18,307,443	18,279,473
Other	2,745,491	680,254	664,531	-	3,410,022	680,254
	<u>\$ 59,529,814</u>	<u>\$ 56,913,271</u>	<u>\$ 42,577,831</u>	<u>\$ 41,609,169</u>	<u>\$ 102,107,645</u>	<u>\$ 98,522,440</u>

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Buildings	\$ 11,297,780	\$ 10,758,354	\$ 8,325,098	\$ 8,216,180	\$ 19,622,878	\$ 18,974,534
Equipment	3,390,377	\$ 12,758,060	372,562	363,926	3,762,939	13,121,986
Infrastructure	13,580,037	\$ 3,076,624	10,375,828	10,132,592	23,955,865	13,209,216
Improvements	-	-	6,080,338	5,550,373	6,080,338	5,550,373
	<u>\$ 28,268,194</u>	<u>\$ 26,593,038</u>	<u>\$ 25,153,826</u>	<u>\$ 24,263,071</u>	<u>\$ 53,422,020</u>	<u>\$ 50,856,109</u>
Capital						
Assets, net	<u>\$ 31,261,620</u>	<u>\$ 30,320,233</u>	<u>\$ 17,424,005</u>	<u>\$ 17,346,098</u>	<u>\$ 48,685,625</u>	<u>\$ 47,666,331</u>

In *governmental activities* the City reported a \$941,387 increase in net capital assets over 2016. The increase is largely due to the capital assets additions exceeding depreciation expense during 2017 mainly due to the capitalization of projects ongoing at the Airport. *Business-type activities* of the City reported a net increase of \$77,907 in net capital assets compared to 2017, primarily as result of additions exceeding depreciation expense.

Long-Term Debt

At the end of the fiscal year 2017, the City had \$30,449,612 in outstanding debt and other long-term liabilities, including notes and bonds payable, net pension liability, claims payable and accrued vacation and sick leave for its governmental activities. The outstanding notes and bonds payable are backed by the full faith and credit of the City of Bogalusa.

The City had \$7,471,042 outstanding in revenue bonds, certificates of indebtedness, net pension liability, claims payable, and compensated absences payable, in its business-type activities. The revenue bonds are backed solely by the revenue streams dedicated to payment of those bonds.

The net pension liability decreased by \$2,884,873 bringing the total net pension liability to \$31,190,979.

During the 2013 fiscal year, the City became obligated for asbestos remediation for condemned and demolished properties at an estimated cost of \$600,000. Approximately \$153,000 of the clean-up obligation has been satisfied as of December 31, 2017; however, approximately \$447,000 remains as a liability at December 31, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the economic outlook looks promising for the nation as a whole for 2018, older and rural communities such as the City of Bogalusa face enormous challenges due to an aging and declining population and a stagnant tax base. In the midst of these challenges, the 2018 budget was prepared using reasonable estimates for revenues and anticipated expenditures. Sales taxes, the City's main revenue source, are expected to remain constant. Expenditures are expected to decrease due to implementation of cost cutting measures in an attempt to improve the City's financial condition.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, grantors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions concerning this report or need additional financial information, contact Stacy Smith at the City of Bogalusa's Administrative offices, located in City Hall at 202 Arkansas Avenue, Bogalusa, LA 70427.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 3,470,132	\$ 19,637	\$ 3,489,769
Property taxes receivable	880,808	52,867	933,675
Accounts receivable (net)	1,623,417	723,944	2,347,361
Internal Balances	(86,885)	86,885	-
Inventory	8,044	-	8,044
Restricted assets:			
Cash and cash equivalents	-	302,868	302,868
Investment in joint venture - Choctaw Landfill	1,551,189	-	1,551,189
Capital assets:			
Land and construction in progress	4,515,456	664,531	5,179,987
Depreciable capital assets, net	26,746,164	16,759,474	43,505,638
TOTAL ASSETS	38,708,325	18,610,206	57,318,531
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension contributions	725,750	38,370	764,120
Deferred amounts related to net pension liability	2,444,486	261,328	2,705,814
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,170,236	299,698	3,469,934
LIABILITIES:			
Accounts payable	1,433,292	159,669	1,592,961
Accrued expenses	117,592	204,006	321,598
Other payables	2,104,465	-	2,104,465
Certificates of indebtedness	800,000	-	800,000
Long-term liabilities:			
Due within one year	585,000	602,000	1,187,000
Due beyond one year	2,242,464	3,067,611	5,310,075
Net post employment benefit liability	232,600	-	232,600
Net pension liability	27,389,548	3,801,431	31,190,979
TOTAL LIABILITIES	34,904,961	7,834,717	42,739,678
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts related to net pension liability	2,610,406	310,883	2,921,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,610,406	310,883	2,921,289
NET POSITION:			
Net investment in capital assets	29,834,620	13,842,005	43,676,625
Restricted for:			
Debt service	634,869	302,868	937,737
Industrial Complex	1,751,034	-	1,751,034
Unrestricted	(27,857,329)	(3,380,569)	(31,237,898)
TOTAL NET POSITION	\$ 4,363,194	\$ 10,764,304	\$ 15,127,498

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Primary Government						
	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Fees, Fines, and Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Function/Programs						
Primary Government						
Governmental:						
General government	\$ 3,936,437	\$ 484,287	\$ 105,291	\$ (3,346,859)	\$ -	\$ (3,346,859)
Public safety	6,341,081	211,761	781,773	(5,347,547)	-	(5,347,547)
Public works	2,875,678	-	605,212	(2,270,466)	-	(2,270,466)
Landfill	625,652	-	-	(625,652)	-	(625,652)
Culture and recreation	397,008	11,301	56,771	(328,936)	-	(328,936)
Economic development	695,080	305,281	117,935	(271,864)	-	(271,864)
Airport	491,483	1,350	1,216,242	726,109	-	726,109
Interest expense and issuance costs	52,484	-	-	(52,484)	-	(52,484)
Total governmental activities	<u>15,414,903</u>	<u>1,013,980</u>	<u>2,883,224</u>	<u>(11,517,699)</u>	<u>-</u>	<u>(11,517,699)</u>
Business-type:						
Enterprise - Utilities	3,909,518	3,940,045	-	-	30,527	30,527
Total business-type activities	<u>3,909,518</u>	<u>3,940,045</u>	<u>-</u>	<u>-</u>	<u>30,527</u>	<u>30,527</u>
Total primary government	<u>\$ 19,324,421</u>	<u>\$ 4,954,025</u>	<u>\$ 2,883,224</u>	<u>\$ (11,517,699)</u>	<u>\$ 30,527</u>	<u>\$ (11,487,172)</u>
General revenues:						
Property taxes				3,336,316	198,669	3,534,985
Sales taxes				6,397,764	872,128	7,269,892
Other taxes				26,070	-	26,070
Franchise fees				288,104	-	288,104
Interest income				19,735	23,288	43,023
Other				224,222	74,647	298,869
Transfers (net)				977,507	(977,507)	-
Total general revenues				<u>11,269,718</u>	<u>191,225</u>	<u>11,460,943</u>
Change in net position				(247,981)	221,752	(26,229)
Net position, December 31, 2016				<u>4,611,175</u>	<u>10,542,552</u>	<u>15,153,727</u>
Net position, December 31, 2017				<u>\$ 4,363,194</u>	<u>\$ 10,764,304</u>	<u>\$ 15,127,498</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds			Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
	General	Industrial Complex Sales Tax	Landfill Fund	General Obligation Bond Sinking Fund #1		
ASSETS						
Cash and cash equivalents	\$ 705,086	\$ 1,810,400	\$ 273,588	\$ 166,011	\$ 515,047	\$ 3,470,132
Investments in joint venture	-	-	1,285,290	-	-	1,285,290
Property taxes receivable	593,538	-	97,567	79,334	110,369	880,808
Accounts receivable	449,617	62,569	-	-	1,111,231	1,623,417
Due from other funds	849,533	247,231	17,123	134,597	828,374	2,076,858
Inventory of supplies	8,044	-	-	-	-	8,044
TOTAL ASSETS	2,605,818	2,120,200	1,673,568	379,942	2,565,021	9,344,549
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,605,818	\$ 2,120,200	\$ 1,673,568	\$ 379,942	\$ 2,565,021	\$ 9,344,549
LIABILITIES						
Accounts payable	\$ 596,552	\$ 210,666	\$ -	\$ -	\$ 626,074	\$ 1,433,292
Accrued expenses	97,291	-	-	-	9,584	106,875
Certificates of indebtedness	800,000	-	-	-	-	800,000
Due to other funds	952,690	158,500	-	141,742	910,811	2,163,743
Due to other governments	-	-	2,104,465	-	-	2,104,465
TOTAL LIABILITIES	2,446,533	369,166	2,104,465	141,742	1,546,469	6,608,375
DEFERRED INFLOWS OF RESOURCES						
Resources recovered prior to time requirement	76,410	-	12,560	10,214	14,210	113,394
FUND BALANCES						
Non-spendable:						
Prepaid expenses and other	-	-	1,285,290	-	-	1,285,290
Inventory of supplies	8,044	-	-	-	-	8,044
Restricted for:						
Debt service	-	-	-	227,986	410,362	638,348
Capital projects	-	-	-	-	255,899	255,899
Maintenance	-	-	-	-	248,203	248,203
Special programs	35,369	1,751,034	-	-	295,863	2,082,266
Committed:						
Park	29,536	-	-	-	-	29,536
Police forfeitures	6,118	-	-	-	-	6,118
Unassigned	3,808	-	(1,728,747)	-	(205,985)	(1,930,924)
TOTAL FUND BALANCES (DEFICIT)	82,875	1,751,034	(443,457)	227,986	1,004,342	2,622,780
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,605,818	\$ 2,120,200	\$ 1,673,568	\$ 379,942	\$ 2,565,021	\$ 9,344,549

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Fund balances December 31, 2017 - governmental funds		\$ 2,622,780
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of capital assets at December 31, 2017	59,529,814	
Less: accumulated depreciation as of December 31, 2017	<u>(28,268,194)</u>	31,261,620
Property tax revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures:		113,394
Equity interest in landfill joint venture not reported at fund level		265,899
Deferred outflows and inflows of resources are not available to pay current period expenditures and, therefore, are not reported in the governmental funds:		
Deferred outflows of resources - deferred pension contributions	725,750	
Deferred outflows of resources - related to net pension liability	<u>2,444,486</u>	3,170,236
Deferred inflows of resources - related to net pension liability		(2,610,406)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities:		
Bonds payable		(1,115,000)
Certificate of Indebtedness payable		(312,000)
Accrued interest payable		(10,717)
Net pension liability payable		(27,389,548)
Compensated absences		(832,245)
Net OPEB benefits		(232,600)
Claims and judgments payable		<u>(568,219)</u>
Total net position at December 31, 2017 - governmental activities		<u>\$ 4,363,194</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds			Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
	General	Industrial Complex Sales Tax	Landfill Fund	General Obligation Bond Sinking Fund #1		
Revenues:						
Ad valorem taxes	\$ 2,257,090	\$ -	\$ 366,088	\$ 297,382	\$ 414,423	\$ 3,334,983
Sales taxes	3,166,340	546,121	-	-	2,685,303	6,397,764
Other taxes	26,070	-	-	-	-	26,070
Licenses and permits	401,128	-	-	-	-	401,128
Franchise fees	288,104	-	-	-	-	288,104
Intergovernmental	574,001	-	-	-	2,043,029	2,617,030
Charges for services	107,872	-	-	-	-	107,872
Fines	152,771	-	-	-	-	152,771
Interest	18,364	1,105	62	41	163	19,735
Rent	-	-	-	-	305,281	305,281
Miscellaneous	197,513	-	-	-	73,637	271,150
Total revenues	7,189,253	547,226	366,150	297,423	5,521,836	13,921,888
Expenditures:						
Current -						
General government	2,857,047	-	-	-	-	2,857,047
Public safety	5,081,399	-	-	-	807,061	5,888,460
Public works	1,508,473	-	-	-	641,529	2,150,002
Landfill	-	-	442,100	-	-	442,100
Culture and recreation	-	-	-	-	322,804	322,804
Economic development	-	186,422	-	-	177,134	363,556
Airport	123,414	-	-	-	44	123,458
Capital outlay	-	775,473	-	-	1,725,867	2,501,340
Intergovernmental	320,203	-	-	-	-	320,203
Debt Service -						
Capital lease payments	-	-	-	-	-	-
Bond principal	-	-	-	380,000	125,000	505,000
Bond interest	-	-	-	15,031	35,773	50,804
Cost of issuance	-	-	-	-	5,383	5,383
Total expenditures	9,890,536	961,895	442,100	395,031	3,840,595	15,530,157
Excess (deficiency) of revenues over expenditures	(2,701,283)	(414,669)	(75,950)	(97,608)	1,681,241	(1,608,269)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	-	-	-	-	312,000	312,000
Transfers to other funds	-	(25,000)	-	-	(1,881,728)	(1,906,728)
Transfers from other funds	2,776,735	-	-	-	107,500	2,884,235
Total other financing sources (uses)	2,776,735	(25,000)	-	-	(1,462,228)	1,289,507
Net change in fund balance	75,452	(439,669)	(75,950)	(97,608)	219,013	(318,762)
Fund balance (deficit), beginning	7,423	2,190,703	(367,507)	325,594	785,329	2,941,542
Fund balance (deficit), ending	\$ 82,875	\$ 1,751,034	\$ (443,457)	\$ 227,986	\$ 1,004,342	\$ 2,622,780

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, 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 DECEMBER 31, 2017

Net change in fund balances - governmental funds \$ (318,762)

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

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

Capital outlay and other capitalized purchases, adjustments and reclassifications	2,622,797	
Depreciation expense, including adjustments and reclassifications	<u>(1,675,156)</u>	947,641

Add accumulated depreciation on capital assets disposed	-	
Less cost basis of assets retired during the year	<u>(6,254)</u>	(6,254)

Change in deferral of revenues due to collection beyond 60 days		1,333
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Non-current expenses of landfill operations, net of proportioned revenue		(183,552)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond and certificate of indebtedness principal payments		505,000
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Other changes in long-term obligations:

Proceeds from issuance of certificates of indebtedness	(312,000)	
Accrued interest payable	3,703	
Change in net pension liability GASB 68	(890,583)	
Compensated absences	36,543	
Net OPEB obligation	(42,248)	
Polution remediation liability claims estimate	-	
Claims and judgments payable	<u>11,198</u>	<u>(1,193,387)</u>

Change in net position of governmental activities		<u>\$ (247,981)</u>
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The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
ENTERPRISE (UTILITIES) FUND
DECEMBER 31, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 19,637
Property taxes receivable	52,867
Accounts receivable (net)	723,944
Due from other funds	429,197
Total current assets	<u>1,225,645</u>

Restricted assets

Customers' deposits -	
Cash and cash equivalents	302,868
Total restricted assets	<u>302,868</u>

Capital assets

Construction in progress	664,531
Capital assets, cost	41,913,300
Less: accumulated depreciation	<u>(25,153,826)</u>
Total capital assets	<u>17,424,005</u>

TOTAL ASSETS **18,952,518**

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension contributions	38,370
Deferred amounts related to net pension liability	<u>261,328</u>
	<u>299,698</u>

LIABILITIES

Current liabilities:

Accounts payable	159,669
Accrued interest expense	34,788
Accrued expenses	169,218
Other payables	-
Due to other funds	342,312
Long-term debt, current	<u>602,000</u>
Total current liabilities	<u>1,307,987</u>

Long-term liabilities:

Compensated absences	87,611
Net pension liability	3,801,431
Bonds payable	<u>2,980,000</u>
Total long-term liabilities	<u>6,869,042</u>

TOTAL LIABILITIES **8,177,029**

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to net pension liability	<u>310,883</u>
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NET POSITION

Net investment in capital assets	13,842,005
Restricted for debt service	302,868
Unrestricted	<u>(3,380,569)</u>
TOTAL NET POSITION	<u>\$ 10,764,304</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES:

Charges for service -	
Water, sewer and garbage fees	\$ 3,940,045
Miscellaneous service revenues	74,647
Total operating revenues	<u>4,014,692</u>

OPERATING EXPENSES:

Salaries and wages	705,044
Employee benefits	702,021
Change in net pension liability	(79,217)
Utilities	244,054
Contractual services	752,297
Supplies and materials	343,296
Repairs	183,177
Gas and oil	17,432
Depreciation	890,755
Insurance and other	21,639
Total operating expenses	<u>3,780,498</u>

INCOME FROM OPERATIONS	<u>234,194</u>
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NON-OPERATING REVENUES (EXPENSES):

Advalorem taxes	198,669
Sales taxes	872,128
Intergovernmental	-
Interest income	23,288
Interest expense	(129,020)
Total nonoperating revenues (expenses)	<u>965,065</u>

Net income before transfers	1,199,259
------------------------------------	------------------

Transfers to other funds	(1,582,719)
Transfers from other funds	<u>605,212</u>

Total transfers	(977,507)
------------------------	------------------

CHANGE IN NET POSITION	221,752
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NET POSITION:

Balance, beginning of year	<u>10,542,552</u>
Balance, end of year	<u>\$ 10,764,304</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,025,322
Cash paid to suppliers	(1,561,988)
Cash paid to employees	(934,074)
Net cash provided by operating activities	<u>1,529,260</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Advalorem taxes	181,465
Sales taxes	855,821
Due to other funds (net change in)	(665)
Transfers from other funds	605,212
Transfers to other funds	(1,582,719)
Net cash used in non-capital financing activities	<u>59,114</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Intergovernmental grants (capital)	-
Principal payments on debt	(582,000)
Interest paid on debt	(128,001)
Acquisition of capital assets	(968,662)
Net cash used in capital financing activities	<u>(1,678,663)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>22,588</u>
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Net change in cash and cash equivalents	(67,701)
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Cash and cash equivalents at beginning of year	<u>390,206</u>
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Cash and cash equivalents at end of year	<u><u>\$ 322,505</u></u>
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Reconciliation to the Statement of Net Position:

Cash and cash equivalents - current	\$ 19,637
Cash and cash equivalents - restricted	<u>302,868</u>
	<u><u>\$ 322,505</u></u>

(continued)

The accompanying notes are an integral part of these statements.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Page 2 of 2

Reconciliation of net income to net cash provided by operating activities:

Income from operations	\$ 234,194
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	890,755
Bad debt expense	78,023
Change in assets, deferred outflows, liabilities and deferred inflows:	
Receivables	(86,893)
Deferred outflows related to pensions	210,910
Accounts payable	(93)
Accrued expenses	19,500
Other payables	-
Compensated absences	(23,969)
Net pension liability	(79,217)
Deferred inflows related to pensions	285,844
Accrued salaries	206
Net cash provided by operating activities	<u>\$ 1,529,260</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF PLAN NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
JUNE 30, 2017

ASSETS

Cash and cash equivalents		\$ 173,283
Receivables:		
Member contributions	12,158	
Employer contributions	201,093	
Accrued interest	17,203	
Miscellaneous receivable	<u>5,910</u>	
		236,364
Investments at fair market value:		
Fixed income assets	2,103,820	
Value equity assets	1,086,898	
Growth equity assets	<u>1,037,221</u>	
Total investments		<u>4,227,939</u>
TOTAL ASSETS		<u>4,637,586</u>

LIABILITIES

651

NET POSITION OF PENSION PLAN ASSETS

\$ 4,636,935

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS

Contributions:	
Members	\$ 109,830
Employer	397,604
Total contributions	<u>507,434</u>
Investment income:	
Net increase in fair value of investments	278,852
Interest and dividends	107,511
	<u>386,363</u>
Less: investment fee expense	<u>(27,267)</u>
Net investment income	<u>359,096</u>
Total additions	<u>866,530</u>

DEDUCTIONS

Benefits	1,003,796
DROP withdrawals	123,585
Refunds of contributions	1,618
Administrative expenses	1,059
Other	643
Total deductions	<u>1,130,701</u>

DECREASE IN NET POSITION (264,171)

NET POSITION OF PENSION PLAN ASSETS:

Beginning of the year	<u>4,901,106</u>
End of the year	<u><u>\$ 4,636,935</u></u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE PRIMARY GOVERNMENT
FINANCIAL STATEMENTS**

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

INTRODUCTION

The City of Bogalusa, Louisiana (the City) was incorporated July 4, 1914, and is governed by the provisions of a home rule charter adopted October 22, 1977. The City operates under a "mayor-council" form of government which consists of an elected council representing the legislative branch of the government and an elected mayor heading the executive branch.

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) 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. 61 established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City Council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City Council.
2. Organizations for which the City Council does not appoint a voting majority but which are fiscally dependent on the Council and provide specific financial benefits or impose specific financial burdens on the City Council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.
4. Organizations in which it has majority equity interest for the purpose of directly facilitating government services.

The City has chosen to issue financial statements of the primary government and only one component unit.

Component Unit Included

City of Bogalusa Employees' Retirement System (COBERS) – COBERS is a legally separate organization, but is fiscally dependent upon the City. It meets the definition of a component unit, and is blended into the basic financial statements as a Fiduciary Type Fund.

Component Units Omitted

City Court of Bogalusa (the Court) -The City Court of Bogalusa is a court of limited jurisdiction and serves Ward 4 of Washington Parish, Louisiana. Although the City Court Judge is an independently elected official, the Court is considered a component unit of the City because of fiscal dependence. The City provides the courtroom and office space for the Court. The City also pays salaries and retirement for the Court's administrative staff.

Constable of City Court of Bogalusa (the Constable) - The office of the Constable of City Court of Bogalusa was created by special legislative act R.S. 13:1952(5). The Constable is an elected official, and is responsible for executing the orders and mandates of the City Court of Bogalusa. The Constable is also fiscally dependent on the City and considered a component unit.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

INTRODUCTION (continued)

Christmas in the Park Commission (the Commission) – The Commission was created on November 1, 1995 by Ordinance No. 1588. The Commission is governed by an eleven-member board appointed by the Mayor, with approval of the City Council. The Commission advises the Mayor and the City Council, stimulates public interest and accepts donations to enhance holiday lighting and activities.

Bogalusa Community Arena Commission (the Commission) – The Bogalusa Community Arena Commission is governed by an eleven-member board appointed by the Mayor with approval of the Council. The Commission was established by Ordinance No. 1607 dated June 21, 1995 and amended on December 20, 1995 by Ordinance No. 1623.

Bogalusa Parks and Recreation Commission (the Commission) – The Bogalusa Parks and Recreation Commission is governed by a seventeen-member board appointed by the Mayor with the approval of the Council. The Commission was established by Ordinance No. 824 dated March 6, 1973.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Constable of City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Ms. Stacy Smith
Director of Administration
City of Bogalusa, Louisiana
Post Office Box 11 79
Bogalusa, LA 70429

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organizations and (b) joint ventures, as follows:

Related Organizations

Housing Authority of Bogalusa - The Mayor, with confirmation of the City Council, appoints all five Commissioners of the Housing Authority of Bogalusa. However, no further contact or influence exists.

Washington Economic Development Foundation, Inc. - The Mayor appoints one member and the City Council appoints two members of the thirty member Board of Directors of Washington Economic Development Foundation, Inc., which is a non-profit corporation exempt from federal income tax under Internal Revenue Code Section 501 (c)(3).

Joint Ventures

Choctaw Road Landfill (the Joint Venture) - The City is a participant with the Washington Parish Government (the Parish) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenue and operating costs were 58.1% for the Parish and 41.9% for the City. The Parish's share of costs has been funded by a dedicated one percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs has been funded by an ad valorem tax and the issuance of general obligation bonds. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Bogalusa have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government wide financial statements and the proprietary fund type financial statements. The City has applied GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as "other accounting literature."

A. Government-Wide Financial Statements

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

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

B. Fund Financial Statements

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

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

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

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Financial Statements (continued)

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

The Industrial Complex Sales Tax Fund accounts for the ¼-cent sales tax dedicated to improvement maintenance of the City's Industrial Park.

The Landfill Fund accounts for the receipt of a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities for the city, including acquisition of land therefore. This fund also accounts for the City's investment in operations of the Choctaw Road Landfill, a joint venture with the Washington Parish Government.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. One debt service fund is reported as a major fund, the General Obligation Bond Sinking fund number 1 fund, which holds and collects monies for the retirement of the series 2012 General Obligation Refunding Bonds, which refunded the 1998 General Obligation Sewer Bonds.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). There are no major capital projects funds.

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the City of Bogalusa Employees' Retirement System (COBERS) as a fiduciary fund since the City acts in a fiduciary capacity for the benefit of the employees. Assets held in this fund are segregated from the City's general operating assets and are not subject to the claims of general creditors.

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

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

COBERS is a single-employer pension plan that covers most permanent City employees except policemen and firemen. The COBERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. The City has no investments.

The City of Bogalusa Employees Retirement System's (COBERS) cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the COBERS investment policy allow the COBERS to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds investing in debt and equity securities, as well as direct equity investments all within limitations for each type of investment.

E. Activity Between Funds

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

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

F. Summary of Authorized Ad Valorem and Sales Taxes

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Washington Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values to the extent available.

Sales taxes are recognized as revenue in the month of the underlying sale transaction. The Washington Parish Sheriff is authorized to collect and remit this tax to the City.

The following is a summary of authorized and levied ad valorem taxes.

Fund Type	Purpose	Authorized Mills	Levied Mills	Expiration Date
General	General purpose	10.91	10.91	Indefinite
General	Maintenance, equipment, operations and salaries of municipal employees	3.64	3.64	2017 ¹
General	Fire department maintenance	2.73	2.73	2017 ¹
General	Maintenance and operation of municipal services	2.73	2.73	2019
General	Retirement for police department, fire department, and general city employees	7.84	7.84	2019
General	City of Bogalusa Employees' Retirement System	2.75	2.75	2025
Debt Service	Street Improvement Bonds	1.67	1.67	Indefinite
Special Revenue	Parks and Recreation Facilities	2.01	2.01	2019
Special Revenue	Municipal Buildings	2.01	2.01	2019
Special Revenue	Landfill	5.03	5.03	2021
Enterprise	Sewer and water works	2.73	2.73	2017 ¹
Debt Service	Paying bonds and interest	4.09	4.09	Indefinite
	Total	48.14	48.14	

¹ - This tax was renewed in an election held on November 8, 2016. The tax was renewed through 2027.

The following is a summary of authorized sales taxes.

Fund Type	Purpose	Percent	Expiration Date
Special Revenue	Street and drainage maintenance	0.25	05/31/27
Special Revenue	Capital improvements	0.15	05/31/27
Enterprise	Water and sewer maintenance	0.15	05/31/27
General	General operations	0.45	05/31/27
Special Revenue	Industrial complex maintenance	0.25	Indefinite
Special Revenue	Employee salaries and benefits	0.50	Indefinite
Special Revenue	Jail operations	0.33	Indefinite
General	General operations	1.00	Indefinite
Enterprise	Wastewater system improvement	0.25	02/01/23
	Total	3.33	

G. Inventories and Prepaid Expenses

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Certain funds of governmental activities, capital lease proceeds, and enterprise fund revenue bonds, as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	20-40 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Equipment	5-10 years

J. Compensated Absences

Vacation and sick leave in each department is governed by a different union contract and in the case of fire and police, civil service and other state laws.

Public Works Department and Finance Department/General Government:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate department head. The union contract calls for payment for unused vacation at the end of the year. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

Sick leave is earned at a rate of 2 days a month and is cumulative up to 260 days. An employee can be paid for up to 20 days of sick leave at separation. The days earned, but not taken, up to 260 days are kept on the books until an employee separates.

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences (continued)

Fire Department and Police Department:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate chief. The City's practice is to pay an employee for up to 90 days at separation, yet the city allows an employee to bank more vacation in the event he or she needs to use it for an emergency.

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. Currently, bank time is unlimited.

GASB Statement No. 16 *Accounting for Compensated Absences* requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through cash payments conditioned on the employees' termination or retirement. The City has recorded the following liabilities as of December 31, 2017 for certain salary-related benefits associated with the payment of compensated absences:

1. Accrued and unused vacation for each employee valued at the employees' current rate of pay.
2. Accrued and unused sick leave up to the maximum to be paid upon termination.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.

In the government-wide financial statements and the propriety fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No.6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2017, in the governmental fund financial statements. The liquidation of the compensated absence liabilities will be paid proportional to funds in which the compensation was paid.

K. Fund Balance

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides definitions of fund balance categories that are designed to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance (continued)

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

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

L. Accounts Receivable

Accounts receivable are reported net of an allowance for uncollectables. The more significant accounts receivable are recorded for amounts due from governments in the governmental activities and funds, and for customers' accounts in the business-type activities and the utility fund. Customer Utility accounts are estimated to be uncollectable upon coming sixty days past due. Amounts due from governments are estimated to be uncollectable based upon the facts and circumstances of the grant agreement or funding source.

M. Net Position

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

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

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position (continued)

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

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

N. Estimates

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

O. New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* this standard will require, among other things, the City to recognize a liability for the net OPEB liability as defined by the standard. This standard effectively amends the accounting applied under Governmental Accounting Standards Statement No. 45 wherein liabilities were recognized on the Statement of net position only to the extent that required annual funding levels were not achieved. The impact to the City's net position is expected to be significant. The requirements of this pronouncement are effective for financial statements for reporting periods beginning after June 15, 2017. The City will implement this standard in the December 31, 2018 financial statement.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

3. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

A. City of Bogalusa

At December 31, 2017, the City had cash (book balances) totaling \$3,792,637 consisting primarily of demand deposit accounts at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Bogalusa's name. At December 31, 2017, the City's bank balances amounted to \$4,602,731. Of the bank balances, \$250,000 was covered by federal depository insurance and \$4,352,731 was protected against custodial credit risk by collateral held by the pledging banks' trust department or agent in the City's name at December 31, 2017.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS)

Cash and Cash Equivalents:

At June 30, 2017, cash and cash equivalents consisted of \$31,412 invested in short-term money market mutual funds and \$141,871 in a commercial checking account. The commercial checking account is insured by the Federal Deposit Insurance Corporation up to \$250,000, while the money market funds are not subject to custodial credit risk.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Person Rule. The Prudent-Person Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Person Rule, the System's investment policy allows for fifty percent of the total portfolio to be invested in equity securities and fifty percent to be invested in fixed income securities consisting of U.S. Government and U.S. corporation bonds and notes. Rebalancing occurs when the investment weight of the categories varies by five percent or more.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of an organization.

In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of the fixed income portfolio's market value unless otherwise authorized by the Board. Investments in Federal Home Loan Bank, in three corporate bonds, and one municipal bond represent a concentration greater than 5% of total investments as of June 30, 2017. The issuer's percentages of total fixed income were 7.6%, 15.6% and 5.3% respectively at December 31, 2017.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counter party to an investment will not fulfill its obligations. The following are credit risk ratings of the System's investments in long-term debt securities as of June 30, 2017.

Below is a schedule of debt securities owned with their applicable ratings:

Rating	Corporate Bonds	Federal Home Loan Mortgage Corp.	Federal National Mortgage Association	Foreign BDS NTS and Debenture	Government National Mortgage Association	Municipal Obligations	U.S. Treasury Notes	Total
A1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A2	157,312	-	-	-	-	208,242	-	365,554
A3	-	-	-	100,624	-	-	-	100,624
Aa1	51,117	6,629	430,360	-	24,607	-	149,648	662,361
Aa2	93,563	-	-	-	-	126,221	-	219,784
Aa3	-	-	-	-	-	147,971	-	147,971
Aaa	-	-	-	-	-	76,147	-	76,147
Baa1	221,927	-	-	-	-	-	-	221,927
Baa2	106,236	-	-	-	-	-	-	106,236
Baa3	203,216	-	-	-	-	-	-	203,216
	<u>\$ 833,371</u>	<u>\$ 6,629</u>	<u>\$ 430,360</u>	<u>\$ 100,624</u>	<u>\$ 24,607</u>	<u>\$ 558,581</u>	<u>\$ 149,648</u>	<u>\$ 2,103,820</u>

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's or B2 by Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name. The System was not exposed to custodial credit risk as of June 30, 2017. However, the System does not have a policy regarding custodial credit risk.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure. As of June 30, 2017, the System had the following investments in long-term debt securities and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Corporate Bonds	\$ 833,371	\$ 202,943	\$ 319,044	\$ 144,680	\$ 166,704
Federal Home Loan Mortgage Corp.	6,629	-	6,629	-	-
Federal National Mortgage Association	430,360	5,089	159,678	51,299	214,294
Foreign BDS NTS and Debenture	100,624	100,624	-	-	-
Government National Mortgage Association	24,607	-	1,372	689	22,546
Municipal Obligations	558,581	-	368,957	189,624	-
U.S Treasury Notes	149,648	-	124,267	25,381	-
	<u>\$ 2,103,820</u>	<u>308,656</u>	<u>979,947</u>	<u>411,673</u>	<u>403,544</u>

The System has no formal policy regarding interest rate risk.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The holding periods for the collateralized mortgage obligations above are based on maturity dates of the securities.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are for significant other observable inputs; Level 3 inputs are significant unobservable inputs. A summary of the Fund's investments along with the fair value hierarchy levels of each type of investment are as follows:

		<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Fixed Income Assets	6/30/2017		
Corporate Bonds	\$ 833,371	\$ -	\$ 833,371
Federal Home Loan Mortgage Corp.	6,629	-	6,629
Federal National Mortgage Association	430,360	210,977	219,383
Government National Mortgage Association	24,607	-	24,607
Municipal Obligations	558,581	-	558,581
Foreign Bonds	100,624	-	100,624
U.S Treasury Notes	149,648	149,648	-
Total Fixed Income Assets	2,103,820	360,625	1,743,195
Equity Investments			
Value Equity	1,086,898	1,086,898	-
Growth Equity	1,037,221	1,037,221	-
Total Value Equity Investments	2,124,119	2,124,119	-
Total Investments at Fair Value Level	\$ 4,227,939	\$ 2,484,744	\$ 1,743,195

Level 2 inputs are valued using a market based approach comprised of a combination of directly observable quoted prices and a matrix pricing technique that relies on the securities' relationship to other benchmark quoted prices.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

4. ACCOUNTS RECEIVABLE

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

Accounts receivable at December 31, 2017 were as follows:

<u>Governmental Activities:</u>	<u>Sales Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 358,693	\$ -	\$ 90,924	\$ 449,617
Industrial Complex Sales Tax	62,569	-	-	62,569
Non-Major Governmental Funds	309,875	799,856	1,500	1,111,231
Total	<u>\$ 731,137</u>	<u>\$ 799,856</u>	<u>\$ 92,424</u>	<u>\$ 1,623,417</u>

<u>Business-type Activities:</u>	<u>Sales Taxes</u>	<u>Customer Utility Accounts</u>	<u>Other</u>	<u>Total</u>
Operating Fund	\$ 99,361	\$ 1,679,810	\$ 90,442	\$ 1,869,613
Allowance for Uncollectible Accounts	-	(1,145,669)	-	(1,145,669)
Total	<u>\$ 99,361</u>	<u>\$ 534,141</u>	<u>\$ 90,442</u>	<u>\$ 723,944</u>

5. CASH RESTRICTED UNDER DEBT AGREEMENTS

At December 31, 2017, the City held restricted cash required by bond covenants pertaining to the \$2,670,000 Revenue Refunding Bonds 2012, \$1,000,000 Water Revenue Bonds 2009A and \$3,000,000 Water Revenue Bonds 2009B as follows:

Wastewater Improvement Sales Tax	\$ 13,318
Sewer Sales Tax Bond Reserve Account	41,488
Water Revenue Bond Reserve Account	147,395
Water Revenue Bond Sinking Account	256
Water Revenue Bond Contingency Account	<u>100,411</u>
Total business-type activities restricted cash	<u>\$ 302,868</u>

The City is required by its Loan and Pledge Agreement with the Louisiana Department of Health and Hospitals pursuant to the issuance of the 2009A and B bonds (see note 13) to make monthly deposits into its water revenue bond and sinking fund cash accounts. Additionally, the Water Revenue Bond Reserve Account and the Water Revenue Contingency Accounts are required to maintain minimum balances. As of December 31, 2017, the City had not fully funded the Water Revenue Bond Sinking Account nor had it maintained the required minimum balance.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000. The City is required to make monthly deposits into its sinking fund cash account. As of December 31, 2017, the City had not created a sinking fund cash account and therefore, had not made the monthly required deposits.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

6. NET INVESTMENT IN CHOCTAW ROAD LANDFILL

The City's investment in Choctaw Road Landfill, a joint venture, is presented in the government-wide financial statements as follows:

Current financial resources (current assets less current liabilities) presented in the Fund Financial Statements	\$1,285,290
Other economic resources (net capital assets less landfill closure and post closure care costs)	<u>265,899</u>
Net investment in joint venture	<u>\$1,551,189</u>

The City recognized expense of \$625,652 in the Governmental Statement of Activities representing the City's share of the net costs of operating the landfill.

A liability of \$2,104,465 is recorded as other payable in the Governmental Statement of Activities and in the landfill fund; all of which is in arrears at December 31, 2017.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

7. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<u>Cost</u>				
<u>Not being depreciated</u>				
Land	\$ 1,769,965	\$ -	\$ -	\$ 1,769,965
Construction in progress	680,254	2,071,491	(6,254)	2,745,491
	<u>2,450,219</u>	<u>2,071,491</u>	<u>(6,254)</u>	<u>4,515,456</u>
<u>Being depreciated</u>				
Buildings	20,387,263	20,279	-	20,407,542
Infrastructure	29,731,550	9,685	-	29,741,235
Furniture and equipment	4,344,239	521,342	-	4,865,581
	<u>54,463,052</u>	<u>551,306</u>	<u>-</u>	<u>55,014,358</u>
<u>Less: accumulated depreciation</u>				
Buildings	(10,758,354)	(539,426)	-	(11,297,780)
Infrastructure	(12,758,060)	(821,977)	-	(13,580,037)
Furniture and equipment	(3,076,624)	(313,753)	-	(3,390,377)
	<u>(26,593,038)</u>	<u>(1,675,156)</u>	<u>-</u>	<u>(28,268,194)</u>
Net capital assets being depreciated	<u>27,870,014</u>	<u>(1,123,850)</u>	<u>-</u>	<u>26,746,164</u>
Total capital assets, net	<u>\$ 30,320,233</u>	<u>\$ 947,641</u>	<u>\$ (6,254)</u>	<u>\$ 31,261,620</u>

Depreciation expense for the year ended December 31, 2017 was charged to the following governmental functions:

General government	\$ 141,531
Public safety	91,069
Public works	619,488
Culture and recreation	121,908
Economic Development	344,409
Airport	356,751
	<u>\$ 1,675,156</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

7. CAPITAL ASSETS (continued)

B. Business-type Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<u>Cost</u>				
<u>Not being depreciated</u>				
Construction in progress	\$ -	\$ 664,531	\$ -	\$ 664,531
	-	664,531	-	664,531
<u>Being depreciated</u>				
Water and sewer plant	\$ 9,320,468	\$ -	\$ -	\$ 9,320,468
Sewer treatment plant	2,697,163	-	-	2,697,163
Water well	1,686,604	-	-	1,686,604
Collection system	2,744,249	-	-	2,744,249
Sewer pumping system	1,437,657	203,904	-	1,641,561
Water line	5,051,747	69,063	-	5,120,810
Equipment and vehicles	391,808	3,194	-	395,002
Sewer treatment improvements	13,391,315	27,970	-	13,419,285
Water meter	4,888,158	-	-	4,888,158
	41,609,169	304,131	-	41,913,300
<u>Less: accumulated depreciation</u>				
Water and sewer plant	(8,216,180)	(108,918)	-	(8,325,098)
Sewer treatment plant	(2,671,573)	(3,707)	-	(2,675,280)
Water well	(877,627)	(59,269)	-	(936,896)
Collection system	(2,744,247)	(2)	-	(2,744,249)
Sewer pumping system	(1,367,691)	(52,238)	-	(1,419,929)
Water line	(2,471,454)	(128,020)	-	(2,599,474)
Equipment and vehicles	(363,926)	(8,636)	-	(372,562)
Sewer treatment improvements	(4,499,859)	(334,439)	-	(4,834,298)
Water meter	(1,050,514)	(195,526)	-	(1,246,040)
	(24,263,071)	(890,755)	-	(25,153,826)
Net capital assets being depreciated	17,346,098	(586,624)	-	16,759,474
Total capital assets, net	\$ 17,346,098	\$ 77,907	\$ -	\$ 17,424,005

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

8. INTERFUND BALANCES

From time to time, cash may be borrowed between funds or costs may be fronted by one fund for another fund resulting in interfund balances. The amounts are not expected to be repaid within one year as they depend on the timing of receipts in other funds. The following interfund balances exist at December 31, 2017.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 849,533	\$ 952,690
Industrial Complex Sales Tax Fund	247,231	158,500
Landfill Fund	17,123	-
General Obligation Bond Sinking Fund	134,597	141,742
Nonmajor governmental funds	828,374	910,811
<u>Proprietary Funds:</u>		
Utility System	429,197	342,312
	<u>\$ 2,506,055</u>	<u>\$ 2,506,055</u>

9. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2017 occurred as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 2,776,735	\$ -
Industrial Complex Sales Tax Fund	-	25,000
Landfill Fund	-	-
Nonmajor governmental funds	107,500	1,881,728
<u>Proprietary Funds:</u>		
Utility System	605,212	1,582,719
	<u>\$ 3,489,447</u>	<u>\$ 3,489,447</u>

10. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for approximately \$500 directly to each individual fireman and policeman that is qualified and has been employed by the City for at least one year. Policemen received a total of \$249,699, and the firemen received \$186,600 in 2017. The total payments of \$436,299 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

11. SHORT-TERM DEBT

The City borrows money during the year to finance expenditures for general operations that are budgeted evenly throughout the year, which are expected to be paid from ad valorem tax revenues collected at year-end.

Short-term debt activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Funds Borrowed	Repayments	Ending Balance
Certificates of Indebtedness	\$ 600,000	\$ 800,000	\$ (600,000)	\$ 800,000

The borrowings for 2017 were advanced to the City through a series of certificates of indebtedness bearing interest at prime minus 2.00%.

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	\$ 1,620,000	\$ -	\$ (505,000)	\$ 1,115,000	\$ 525,000
Certificates of indebtedness	-	312,000	-	312,000	60,000
Compensated Absences	868,788	-	(36,543)	832,245	-
Claims and Judgments	132,417	-	(11,198)	121,219	-
Pollution Remediation Obligations	447,000	-	-	447,000	-
	<u>\$ 3,068,205</u>	<u>\$ 312,000</u>	<u>\$ (552,741)</u>	<u>\$ 2,827,464</u>	<u>\$ 585,000</u>

b. Bonds Payable

On October 4, 2012, the City issued General Obligation Refunding Bonds, Series 2012, in the amount of \$2,200,000 in order to refund the General Obligation Sewer Bonds, Series 1998 which had a balance of \$2,154,105 at the time of issuance of the refunding bonds. The City is required to create a sinking fund account and maintain a minimum balance. As of December 31, 2017, the City had maintained the required minimum balance.

On December 4, 2017, the City issued Certificate of Indebtedness, Series 2017, in the amount of \$312,000 for the purpose of financing the purchase of a new firetruck. The Certificates principal payments are due on October 1st of each year beginning 2018 through 2022. Interest on the Certificates is 3.22% and is payable semiannually in April and October.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS (continued)

b. Bonds Payable (continued)

Bonds and certificates of indebtedness payable were as follows at December 31, 2017:

	Date of Issuance	Original Balance	Ending Balance
General Obligation Refunding Bonds, Series 2012, 2.25 – 2.5%	10/4/2012	\$ 2,200,000	\$ 390,000
General Obligation 2007, 4.125 – 6.0%	10/1/2007	1,750,000	725,000
		<u>3,950,000</u>	<u>1,115,000</u>
Certificates of indebtedness 2017, 3.22%	12/4/2017	312,000	312,000
		<u>\$ 4,262,000</u>	<u>\$ 1,427,000</u>

c. Annual debt service requirements of bonds and notes payable

The annual requirements to service all debts outstanding are as follows for the next five years and for five year increments thereafter:

	Bonds Payable		Certificates of Indebtedness		Principal
	Principal	Interest	Principal	Interest	Total
2018	\$ 525,000	\$ 34,788	\$ 60,000	\$ 8,260	\$ 585,000
2019	140,000	23,595	60,000	8,114	200,000
2020	145,000	17,217	62,000	6,183	207,000
2021	150,000	10,543	64,000	4,186	214,000
2022	155,000	3,565	66,000	2,125	221,000
	<u>\$ 1,115,000</u>	<u>\$ 89,708</u>	<u>\$ 312,000</u>	<u>\$ 28,868</u>	<u>\$ 1,427,000</u>

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term debt activity of business-type activities for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	4,164,000	\$ -	\$ (582,000)	3,582,000	602,000
Compensated Absences	111,580	-	(23,969)	87,611	-
	<u>\$ 4,275,580</u>	<u>\$ -</u>	<u>\$ (605,969)</u>	<u>\$ 3,669,611</u>	<u>\$ 602,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

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

b. Bonds Payable

The City entered into a series of agreements with the Louisiana Department of Health and Hospitals (the Department) as part of the Build America Bonds Program whereby the Department has committed to loan the City up to \$5,000,000 to fund construction of a water meter system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the City will be evidenced through the Series 2009A and 2009B bonds in the amounts of \$1,000,000 and \$3,000,000, respectively, and these bonds will mature in 20 principal installments, payable annually on each September 1 beginning in 2011. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 2.95% and payment thereof began March 1, 2010 and continues to occur semi-annually thereafter.

The 2009A series bonds were funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). One half of the 2009A bond funds advanced to the City is forgivable as a debt upon advancement. The City received no advances of 2009A bond funds during 2017 as the bonds were fully funded during 2012.

The City is required to create reserve accounts and maintain minimum balances within that account and to make monthly deposits into a sinking fund. As of December 31, 2017, the City had not made the required minimum deposits to the sinking fund account.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000 in order to refund the Sales Tax Sewer Bonds, Series 1998, Sewer Revenue Bonds, Series 1998 and the Sewer Revenue Bonds, Series 1999 which had balances of \$1,395,000, \$630,000 and \$880,000, respectively, at the time of issuance of the refunding bonds. The remaining balance on the refunded bonds was paid with the cash in the reserve accounts as set aside for the sewer bonds. The City is required to make monthly deposits to a sinking fund. As of December 31, 2017, the City had not created such accounts and therefore, had not made the required deposits to those accounts.

Bonds outstanding were as follows at December 31, 2017:

	Date of Issuance	Original Balance	Ending Balance
Water Revenue Bonds, Series 2009A, 2.95%	Various	1,000,000	793,000
Water Revenue Bonds, Series 2009B, 2.95%	Various	3,000,000	2,246,000
Revenue Refunding Bonds, Series 2012, 2.25 – 2.5%	7/31/2012	2,670,000	1,125,000
		<u>\$ 6,670,000</u>	<u>\$ 4,164,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

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

c. Annual debt service requirements

A schedule of annual debt service requirements for the bonds for each of the next five years and for five-year increments thereafter is as follows:

	Bonds Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 602,000	\$ 97,719	\$ 699,719
2019	501,000	82,890	583,890
2020	197,000	73,131	270,131
2021	202,000	67,319	269,319
2022	207,000	61,360	268,360
2023-2027	1,124,000	211,722	1,335,722
2028-2030	749,000	42,657	791,657
	<u>\$ 3,582,000</u>	<u>\$ 636,798</u>	<u>\$ 4,218,798</u>

14. LEGAL DEBT MARGIN

Computation of the legal debt margin for general obligation bonds payable from ad-valorem tax is as follows. The City is within its allowed legal debt limitation.

Ad-valorem taxes:

Assessed valuation, 2017 tax rolls \$ 72,905,130

Debt limit: 35% of assessed valuation \$ 25,516,800

General obligation bonds outstanding at December 31, 2017,
secured by ad-valorem tax \$ 1,115,000

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS

The City of Bogalusa (the City) participates in the City of Bogalusa Employees' Retirement System (COBERS) which is a single employer pension plan that is administered by a Board of Trustees as established by the City of Bogalusa's Home Rule Charter. The City is also a participating employer in three State-wide cost-sharing multiple employer defined benefit pension plans that include the Municipal Employees' Retirement System of Louisiana (MERS), the Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the State-wide plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the State-wide Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

MERS:	MPERS:	FRS
7937 Office Park Boulevard	7722 Office Park Boulevard, Suite 200.	3100 Brentwood Drive
Baton Rouge, Louisiana 70809	Baton Rouge, LA 70809	Baton Rouge, Louisiana 70809
(225) 925-4810	(225) 929-7411	(225) 925-4060
www.mersla.com	www.lampers.org	www.lafirefightersret.com

The financial statements of the City of Bogalusa Employees' Retirement System (COBERS) are included in this report.

In accordance with Government Accounting Standards Board (GASB) Statement 68 the City is required to record its Net Pension Liability in COBERS and the proportional share of each of the other pension plans Net Pension Liability and report the following disclosures:

Plan Descriptions:

a. City of Bogalusa Employees' Retirement System

Plan administration. The City of Bogalusa Employees' Retirement System (COBERS) administers the City of Bogalusa Pension Plan - a single-employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. The City's Home Rule Charter grants the authority to establish and amend the benefit terms to the COBERS Board of Trustees (COBERS Board).

Management of the plan is vested in the COBERS Board, which consists of nine members-five elected by plan members.

Membership: Participation is mandatory for virtually all full-time non-fire and non-police employees who are employed on a permanent basis, and are under the age of 60 years on the date of employment.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

The membership of the plan at June 30, 2017 is as follows:

Retirees & beneficiaries receiving benefits	85
Active plan members	<u>54</u>
Total	<u>139</u>

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary.

Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary. Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

An active member may participate in the Deferred Retirement Option Plan when he becomes eligible to retire. Participation in the plan can be for no more than 36 months. The regular monthly retirement benefit (calculated at the time of participation in the program) is deposited in a separate account for the participant. Upon termination of employment, the accumulated balance in the account is paid to the participant in a lump sum amount or any other method of payment approved by the board of trustees. Payment of the regular monthly retirement benefit also commences at the termination of employment.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

Annual Pension Expense and Net Pension Liability: The City's Net Pension Liability to the COBERS, calculated in accordance with GASB 67, for the year ended June 30, 2017 measurement date is as follows:

Total pension liability:	
Service Cost	\$ 640,501
Interest	825,027
Difference between expected and actual experience	(2,493,396)
Benefit payments	<u>(1,128,999)</u>
Net change in total pension liability	(2,156,867)
Total pension liability - beginning	<u>29,155,159</u>
Total pension liability - ending	<u><u>\$ 26,998,292</u></u>
Plan fiduciary net position:	
Contributions employer	\$ 397,604
Contributions employee	109,830
Net investment loss	359,096
Benefit payments, refunds and expenses	(1,128,999)
Other	<u>(1,702)</u>
Change in plan fiduciary net position	(264,171)
Plan fiduciary net position - beginning	<u>4,901,106</u>
Plan fiduciary net position - ending	<u><u>\$ 4,636,935</u></u>
Net pension liability - beginning	\$ 24,254,053
Change in net pension liability	<u>(1,892,696)</u>
Net pension liability - ending	<u><u>\$ 22,361,357</u></u>
Plan fiduciary net position as a percentage of the total pension liability	17.17%

b. Municipal Employees' Retirement System of Louisiana (MERS)

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2017, there were 84 contributing municipalities in Plan A and 68 in Plan B. The City of Bogalusa is a participant in Plan A only.

The following is a description of the plan and its benefits and is provided for general information purposes only and only for Plan A.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

b. Municipal Employees' Retirement System of Louisiana (MERS) (continued)

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

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) or more years creditable service with legal spouse at least last 12 months before death - 40% at age 60 or minimum of 20% immediately (actuarially calculated).
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for Retirement for Plan A Tier 2 members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty-five (25) years of creditable service with an actuarially reduced early benefit
5. Survivor's benefits require five or more years of creditable service with legal spouse at least last 12 months before death - 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings.

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 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.

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

b. Municipal Employees' Retirement System of Louisiana (MERS) (continued)

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

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

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.

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 additional cost of living increases 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.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

c. Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 - 11:2233.

The following is a brief description of the plan and its benefits and is provided for general information purposes only.

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 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement 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 3% and 2.50%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon 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 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

c. Municipal Police Employees' Retirement System (MPERS) (continued)

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.

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.

d. Firefighters' Retirement System (FRS)

The Firefighters' Retirement System (FRS) is the administrator of a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement, disability, and death benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 434 of 1979 and amended by Louisiana Revised Statutes (R.S.) 11:2251 - 11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only.

Any person who becomes an employee as defined in R.S. 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time firefighters (or any person in a position as defined in the municipal fire and police civil service system) who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System.

No person who has attained age 50 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 50. No person who has not attained the age of 18 years shall become a member of the System.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

d. Firefighters' Retirement System (FRS) (continued)

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.

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. See RS. 11 :2256(A) for additional details on retirement benefits.

Deferred Retirement Option Plan: After completing 20 years of creditable service and attaining the age of 50 years, or 25 years at any age, a member may elect to participate in the defined retirement option plan (DROP) for up to 36 months. Upon commencement of participation in DROP, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are 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 withdrawals may be made from the DROP 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.

Funding Policy – All Pension Plans

The funding policy for the City of Bogalusa Employees' Retirement System (COBERS) is actuarially determined and adopted by Board of Trustees as established by the City of Bogalusa's Home Rule Charter. The City also collects an ad valorem tax of 2.75 mills that is contributed to COBERS that is in addition to the City's contribution based on a covered payroll percentage. On the statewide multiple employer cost sharing pension plans, Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

Funding Policy – All Pension Plans (continued)

Contributions to the plans are required and determined by COBERS or by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2017, for the City and covered employees were as follows:

	City	Employees
City of Bogalusa Employees' Retirement System ¹	11.00%	6.00%
Municipal Employees' Retirement System Plan A	24.75%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after 01/01/2013	30.75%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	30.75%	8.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	33.25%	7.50%
Firefighters' Retirement System		
Employees receiving compensation above poverty		
guidelines of US Department of Health	26.50%	10.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	28.50%	8.00%

¹ Percentage does not include City contribution of property taxes dedicated to the Retirement System

The contributions made to the Systems for the past three years ending on December 31, were as follows:

	2017	2016	2015
City of Bogalusa Employees' Retirement System ¹	\$ 413,333	\$ 387,545	\$ 346,999
Municipal Employees' Retirement System Plan A	17,411	15,118	8,845
Municipal Police Employees' Retirement System	552,717	543,670	530,514
Firefighters' Retirement System	340,232	342,473	345,454

¹ Amount includes the City's accrual of property taxes dedicated to the Retirement System

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the City's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2017 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2017 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 rate. The City's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Net Pension Liability at June 30, 2017	Rate at June 30, 2017	Increase (Decrease) on June 30, 2016 Rate
City of Bogalusa Employees' Retirement System	\$ 22,361,357	Not Applicable	Not Applicable
Multiple Employer Cost Sharing Plans:			
Municipal Employees' Retirement System Plan A	\$ 173,533	0.0415%	0.0029%
Municipal Police Employees' Retirement System	5,320,084	0.6094%	-0.0287%
Firefighters' Retirement System	3,336,005	0.5820%	0.0190%
Total - Multiple Employer Cost Sharing Plans:	<u>8,829,622</u>		
	<u>\$ 31,190,979</u>		

The following schedule lists each pension plan's recognized pension expense of the City for the year ended December 31, 2017:

	Total
City of Bogalusa Employees' Retirement System	\$ 1,617,545
Municipal Employees' Retirement System Plan A	37,891
Municipal Police Employees' Retirement System	697,075
Firefighters' Retirement System	541,805
	<u>\$ 2,894,316</u>

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,486,861	\$ (1,914,916)
Changes of assumptions	520,985	(796)
Net difference between projected and actual earnings on pension plan investments	554,878	(146,023)
Changes in proportion and differences between Employer contributions and proportionate share of contributions (cost sharing plans only)	143,090	(859,554)
Employer contributions subsequent to the measurement date	764,120	-
Total	<u>\$ 3,469,934</u>	<u>\$ (2,921,289)</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City of Bogalusa Employees' Retirement System	\$ 1,762,931	\$ (1,828,724)
Municipal Employees' Retirement System Plan A	58,290	(6,922)
Municipal Police Employees' Retirement System	917,137	(601,320)
Firefighters' Retirement System	731,576	(484,323)
	<u>\$ 3,469,934</u>	<u>\$ (2,921,289)</u>

The following table lists the City's contributions to each retirement system that is reported as deferred outflow of resources related to pension made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2018. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
City of Bogalusa Employees' Retirement System	\$ 310,906
Municipal Employees' Retirement System Plan A	9,138
Municipal Police Employees' Retirement System	270,855
Firefighters' Retirement System	173,221
	<u>\$ 764,120</u>

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	COBERS	MERS	MPERS	FRSL	Total
2018	\$ 584,180	\$ 16,239	\$ (103,366)	\$ 80,904	\$ 577,957
2019	(888,061)	16,830	139,226	138,371	(593,634)
2020	(23,273)	7,592	133,931	11,040	129,290
2021	(49,545)	1,569	(124,829)	(155,549)	(328,354)
2022	-	-	-	(22,778)	(22,778)
2023	-	-	-	22,044	22,044
2024	-	-	-	-	-
	<u>\$ (376,699)</u>	<u>\$ 42,230</u>	<u>\$ 44,962</u>	<u>\$ 74,032</u>	<u>\$ (215,475)</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Payables to the Pension Plan

The City recorded accrued liabilities to each of the Retirement Systems for the year ended December 31, 2017 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at December 31, 2017 is as follows:

	<u>December 31, 2017</u>
COBERS	\$ 199,212
MERS	-
MPERS	-
FRSL	-
	<u>\$ 199,212</u>

Actuarial Assumptions

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

	COBERS	MERS	MPERS	FRSL								
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017								
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost								
Actuarial Assumptions:												
Expected Remaining												
Service Lives	3 years	3 years	4 years	7 years								
Investment Rate of Return	6.50% per annum for investments	7.4% net of investment expenses	7.325% net of investment expenses	7.40% net of fees.								
Inflation Rate	3.500%	2.775%	2.700%	2.775% per annum								
Mortality	For pre-retirement and post-retirement mortality, the rates of the 2017 Applicable Mortality Table (Optional Combined Table for Small Plans) were used. This table is a recent study of group annuitant mortality and should be representative of the pension plan's experience.	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009, through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and setback three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.								
Salary Increases	It has been assumed that employees' compensation will increase with each year of employment with annual salary increases average 4.5% per year of employment and with aggregate payroll increases on the average 2.5% per year.	5.00%		Vary from 15.0% in the first two years of service to 4.75% after 25 years; includes inflation and merit increases								
			<table><tr><th>Years of Service</th><th>Salary Growth Rate</th></tr><tr><td>1 - 2</td><td>9.75%</td></tr><tr><td>3 - 23</td><td>4.75%</td></tr><tr><td>24 & Over</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1 - 2	9.75%	3 - 23	4.75%	24 & Over	4.25%	
Years of Service	Salary Growth Rate											
1 - 2	9.75%											
3 - 23	4.75%											
24 & Over	4.25%											
Cost of Living Adjustments	A cost-of-living benefit of 2% of the base benefit may be paid to all retirees and beneficiaries who are age 65 or more. If given, such raises are to be funded from deemed "excess" investment earnings over 6.50%. The raises must be approved by the City Council and are allowed on July 1, 1982 and every subsequent July 1.	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 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.	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.								

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

COBERS	MERS	MPERS	FRSL
The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each asset allocation. These rates 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 average invested assets in each asset allocation for the current fiscal year the combined long-term rate of real return, net of inflation (i.e., 3.00%), is 3.500%. The discount rate was calculated at 2.878%	The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of and an adjustment for the effect of balancing or diversification.	The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.19% for the year ended June 30, 2017.	The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.29% as of June 30, 2017. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2017

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2017:

Asset Class	Target Allocation				Long-Term Expected Real Rate of Return			
	COBERS	MERS	MPERS	FRSL	COBERS	MERS	MPERS	FRSL
Public equity	-	50.00%	-	-	-	2.30%	-	-
Equity	-	-	53.00%	57.00%	-	-	3.66%	21.45%
Public fixed income	-	35.00%	-	-	-	1.60%	-	-
Fixed Income	47.80%	-	21.00%	23.00%	-1.96%	-	0.52%	2.04%
Alternatives	-	15.00%	20.00%	10.00%	-	0.70%	1.10%	13.35%
Value	24.70%	-	-	-	1.82%	-	-	-
Growth	23.57%	-	-	-	3.14%	-	-	-
Cash	3.93%	-	-	-	-	-	-	-
Other	-	-	6.00%	10.00%	-	-	0.16%	9.19%
Total	100.00%	100.00%	100.00%	100.00%	3.00%	4.60%	5.44%	
Inflation					3.50%	2.60%	2.75%	
Expected Arithmetic Nominal Return					6.50%	7.20%	8.19%	

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

15. PENSION PLANS (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan'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. The discount rate used to measure the total pension liability for COBERS, MERS, MPERS and FRS was 2.878%, 7.40%, 7.325% and 7.40%, respectively for the year ended June 30, 2017.

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

The following table presents the City's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	<u>1.0% Decrease</u>		<u>Current Discount Rate</u>		<u>1.0% Increase</u>	
COBERS						
Rates		1.878%		2.878%		3.878%
City of Bogalusa Share of NPL	\$	24,639,417	\$	22,361,357	\$	19,430,497
MERS						
Rates		6.400%		7.400%		8.400%
City of Bogalusa Share of NPL	\$	221,139	\$	173,533	\$	132,926
MPERS						
Rates		6.325%		7.325%		8.325%
City of Bogalusa of NPL	\$	7,350,209	\$	5,320,084	\$	3,616,955
FRSL						
Rates		6.400%		7.40%		8.400%
City of Bogalusa Share of NPL	\$	4,793,710	\$	3,336,005	\$	2,110,594

16. RISK MANAGEMENT

Litigation and General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses by participating in a public entity risk pool. According to the participation contract, the City transfers all risk to the public entity risk pool. The City is only responsible for the payment of premiums and deductibles on claims; the public entity risk pool is responsible for the payment of claims excluding the deductible.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

16. RISK MANAGEMENT (continued)

Litigation and General Liability (continued)

On December 31, 2017, the City was a defendant in a number of lawsuits and other claims arising from the normal course of operations; most of which were being defended through the City's participation on the public entity risk pool. However, some of the claims were not covered through the risk pool and were thus handled through other hired counsel. The City Attorney has advised that his position on the suits covered under insurance is that they should be defended and/or settled within the policy limits. The lawsuits and claims not covered by insurance are also being vigorously defended. The ultimate disposition of all of these matters is unknown as of the date of issuance of these financial statements; however, certain of these matters could materially affect the City's financial condition if rulings are made in favor of the plaintiff or if the City chooses to settle these matters.

Worker's Compensation

In prior years, the City had a self-insured retention (deductible) of \$175,000 for worker's compensation. In 2009, the city purchased a full coverage worker's compensation insurance policy. No deductible is required; therefore, no reserve liability exists for claims incurred from 2009 forward. However, a liability is recorded in the Governmental Activities long-term debt for the City's retained risk pertaining to claims incurred prior to 2009 that remain open as of December 31, 2017 in the amount of \$121,219.

Past Due Amounts

The City was in arrears to the public entity risk pool in which it participates for premiums due and amounts owed for past self-insured worker's compensation claims. The total amount owed to the risk pool entity was approximately \$257,000 at December 31, 2017. These amounts owed are included in accounts payable of the General Fund.

17. GRANTS FROM OTHER GOVERNMENTAL UNITS

Federal and state governmental units provide an important source of supplementary funding used to finance employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded throughout all of the City's fund types. A grant receivable is recorded when the City has a right to reimbursement under the related grant, which is generally at the time an eligible expenditure has been incurred.

Most grants received by the City specify the purpose for which the grant monies are to be used and are subject to audit by the granting agency or, in the case of federal grants, the Single Audit Act. These audits may result in disallowed cost on previously received reimbursements requiring the City to return the funds to the grantor. Any potential return of funds is accounted for in accordance with FASB Statement No 5, Accounting for Contingencies, as made applicable under GASB Statement 62.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

17. GRANTS FROM OTHER GOVERNMENTAL UNITS (continued)

Grants and contribution revenues are to be categorized between operating and capital. The following categorization supports the grants and contribution revenues reported in the Statement of Activities:

Function/Program	Operating	Capital	Total
<u>Governmental Activities:</u>			
General government	\$ 105,291	\$ -	\$ 105,291
Public safety	781,773	-	781,773
Public works	-	605,212	605,212
Economic Development	117,935	-	117,935
Culture and recreation	-	56,771	56,771
Airport	6,997	1,209,245	1,216,242
	<u>1,011,996</u>	<u>1,871,228</u>	<u>2,883,224</u>
<u>Business-type Activities:</u>			
Utilities	-	-	-
	<u>\$1,011,996</u>	<u>\$ 1,871,228</u>	<u>\$2,883,224</u>

18. LEASES OF CITY PROPERTY

The City of Bogalusa has operating leases for various buildings, land and improvements. The lease's terms range from five years to fifteen years. Operating lease income for December 31, 2017 was \$305,281. The following is a schedule of future minimum lease commitments:

Year	Amount
2018	\$ 149,002
2019	98,902
2020	29,902
2021	29,902
	<u>\$ 307,708</u>

19. COMPENSATION PAID TO CITY COUNCIL

Name	Title	Amount
Judson Teddy Drummond	City Council - At Large	\$ 7,200
Doug (Frank) Ritchie	City Council - At Large	7,200
Gloria Kates	City Council - District A	7,246
Tamira Smith	City Council - District B	7,754
Brian McCree	City Council - District C	7,200
Scott Ard	City Council - District D	7,200
Sherry Fortenberry	City Council - District E	7,200
		<u>\$ 51,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

20. OPERATING ENVIRONMENT AND FINANCIAL DEFICIENCIES

Deficit fund balances exist in the following funds:

Street Improvement Sales Tax Fund	\$ 18,825
Youth Recreation and Parks Fund	\$ 187,160
Landfill Fund (unassigned)	\$ 1,728,747

The Youth Recreation and Parks fund exceeded its currently available resources due to the expenditures of the construction of a new sprinkler park built during the year that is recorded in this fund. This deficit is expected to be resolved in the subsequent year through reduction in operating expenditures and transfers from other funds.

The Landfill Fund's deficit is a result of increased costs of operating the landfill including those necessary for compliance with EPA requirements to currently fund a portion of closure and post-closure costs.

The covenants of the Water Revenue Bonds, Series 2009 A and B (see note 13), and the Revenue Refunding Bonds, Series 2012 (see note 13) require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the assets, revenue and expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds. The City was non-compliant with these requirements of the bonds as of December 31, 2017.

21. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Bogalusa's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service.

Life insurance coverage is available to retirees upon retirement. The employer pays 100% of the "cost" of the retiree life insurance, but it is based on the blended rate and there is therefore an additional implied employer subsidy. Since GASB 45 requires the use of "unblended" rates, the City has used the 94GAR mortality table 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. Retiree insurance coverage amounts are a flat \$2,500. Retirees who had medical coverage at retirement have \$17,500 of life insurance coverage until age 65, and \$2,500 thereafter.

Contribution Rates

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

21. OTHER POST-EMPLOYMENT BENEFITS (continued)

Fund Policy

Until 2010, the City of Bogalusa recognized the cost of providing post-employment medical and life insurance benefits (the City of Bogalusa's portion of the retiree medical and life insurance 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 2017 and 2016, the City of Bogalusa's portion of health care and life insurance funding cost for retired employees totaled \$28,400 and \$26,296, respectively.

Effective January 1, 2010, the City of Bogalusa implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

The City of Bogalusa's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open 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:

	2017	2016
Normal Cost	\$ 25,623	\$ 24,638
30-year UAL amortization amount	48,419	46,557
Annual required contribution (ARC)	<u>\$ 74,042</u>	<u>\$ 71,195</u>

Post-employment Benefit Obligation (Asset)

The table below shows the City of Bogalusa's Net Other Post-Employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	2017	2016
Beginning Net OPEB Obligation	\$ 190,352	\$ 148,094
Annual required contribution	74,042	71,195
Interest on Net OPEB Obligation (Asset)	7,614	5,923
ARC Adjustment	<u>(11,008)</u>	<u>(8,564)</u>
OPEB Cost	70,648	68,554
Contribution	-	-
Current year retiree premium paid	<u>(28,400)</u>	<u>(26,296)</u>
Change in Net OPEB Obligation (Asset)	42,248	42,258
Ending Net OPEB Obligation (Asset)	<u>\$ 232,600</u>	<u>\$ 190,352</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

21. OTHER POST-EMPLOYMENT BENEFITS (continued)

Post-employment Benefit Obligation (Asset) (continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2017	\$ 70,648	40.20%	\$ 232,600
December 31, 2016	\$ 68,554	38.36%	\$ 190,352
December 31, 2015	\$ 66,568	36.58%	\$ 148,094
December 31, 2014	\$ 77,784	53.28%	\$ 105,874
December 31, 2013	\$ 75,404	50.89%	\$ 69,537

Funded Status and Funding Progress

In 2017 and 2016, the City of Bogalusa made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2017 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2017 was \$870,807 which is defined as that portion, as determined by a particular actuarial cost method (the City of Bogalusa 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>2017</u>	<u>2016</u>
Actuarial Accrued Liability (AAL)	\$ 870,807	\$ 837,314
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accr. Liability (UAAL)	870,807	837,314
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 6,095,344	\$ 6,423,631
UAAL as a percentage of covered payroll	14.29%	13.03%

Actuarial Methods and Assumptions

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

21. OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (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 Bogalusa and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Bogalusa and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Bogalusa 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 no 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 GASB Statement 45.

Turnover Rate

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. In addition, based on past experience it was assumed that 50% of retirees decline medical coverage upon retirement because of the required retiree contribution.

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence four years after initial eligibility to enter the D.R.O.P., as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

21. OTHER POST EMPLOYMENT BENEFITS (continued)

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is 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.

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 retirees pay 100% of the "cost" of medical benefits, but it is based on "blended" rates (the rates are a blend of the active and retired rates). Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate. Retiree medical coverage ceases at age 65.

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 the 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 last three fiscal calendar years.

	OPEB Costs and Contributions		
	FY 2015	FY 2016	FY 2017
OPEB Cost	\$ 66,568	\$ 68,554	\$ 70,648
Contribution	-	-	-
Retiree premium	24,348	26,296	28,400
Total contribution and premium	24,348	26,296	28,400
Change in net OPEB obligation	\$ 42,220	\$ 42,258	\$ 42,248
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	36.58%	38.36%	40.20%

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

22. TAX ABATEMENTS

The City of Bogalusa is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, the City of Bogalusa has the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program ("EZ Program"). For the year ending December 31, 2017, the City of Bogalusa only participated in the Industrial Tax Exemption Program.

Under the ITEP, as authorized by Article 7, Section 21(F) of the Louisiana Constitution and Executive Order Number JBE 2016-73, companies that qualify as manufacturers can apply to the State Board for a property tax exemption on all new property, as defined, used in the manufacturing process. Under the ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5 year term and are renewable for an additional 5 year term upon approval by the State Board. In the case of the local government, these state-granted abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement.

Taxes abated for the fiscal year ended December 31, 2017 were as follows:

<u>Tax Abatement/Refund Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Industrial tax Exemption Program	\$ 2,130,901

The following schedule identifies the abated taxes by fund:

Governmental Funds:

General Fund	\$ 1,354,499
Landfill Fund	222,651
General Obligation Bond Sinking Fund	73,922
Nonmajor governmental funds	358,986

Proprietary Funds:

Utility System	120,843
	<u>\$ 2,130,901</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2017

23. CONTINGENCIES AND COMMITMENTS

In 2013, the City became aware of disallowed costs for several projects or grants previously funded under the FEMA Public Assistance Program related to past disasters, primarily Hurricane Katrina. Preliminary notifications from the Governor's Office of Homeland Security and Emergency preparedness (GOHSEP, the granting agency) indicated that approximately \$250,000 was due to be returned to GOHSEP because of disallowed costs. The City is continuing to contest and appeal the Governor's Office of Homeland Security's disallowance of these costs. However, during the year, the City received notification that the requested funds under the FEMA Public Assistance Program for damage caused by Flooding in March of 2016 were being held pending resolution of the federal claim against the City to recover disallowed Katrina costs. Funds were approved and obligated by GOHSEP for the March 2016 flood, but due to these disallowed costs on previous disasters, the City was not able to receive any of the funds. Whereas the funds obligated for projects related to the flood exceeded those owed to GOHSEP the City booked a net receivable of approximately \$35,000 that is reported in the Utility Fund as a portion of accounts receivable.

In 2013, the City entered into an agreement with the Louisiana Department of Environmental Quality for asbestos remediation for past, present and future demolitions of condemned/adjudicated properties in possession of the City. The City has committed to and has begun remediation of 140 demolitions from the past that were identified by the DEQ upon inspection. The City has completed remediation on a total of 4 properties during through 12/31/2017 leaving a balance of 102 to complete. In accordance with Governmental Accounting Standards Board Statement No 49, *Accounting and financial reporting for Pollution Remediation Liabilities*, an estimated liability of \$465,000 is recorded as payable for the past demolitions, for which remediation activities have already begun. Future demolitions are not estimable at this time.

TIN Inc. the then owner of the paper mill (the Mill) located within the City, as well as the prior owner of the Mill, Gaylord Container Corporation, filed suit for refund of sales taxes. After an initial ruling in favor of the defendants at the district court level, the progression of the suit through the appeals process ended with a settlement agreement being reached between the taxing authorities, including the City, and the Washington Parish Sheriff's Office, as collector, and the owners of the paper mill. The settlement agreement was favorable to the plaintiffs (Mill). Under the terms of the agreement, the mill will receive credits to be applied toward future sales and use taxes in the amount of \$494,197; \$318,757 of which is applicable to the City. The credits will reduce to the City's future tax revenues to be derived from the mill over a period of 48 months in the amount of approximately \$6,640 per month.

Required Supplemental
Information (Part II)

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Other Post-Employment Benefits Plan Retiree Health and Life Insurance Programs

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
01/01/2017	0.00	\$ 870,807	\$ 870,807	0.00 %	\$ 6,095,344	14.29%
01/01/2016	0.00	\$ 837,314	\$ 837,314	0.00 %	6,423,631	13.0%
01/01/2015	0.00	805,110	805,110	0.00 %	5,690,156	14.2%
01/01/2014	0.00	941,139	941,139	0.00 %	6,103,959	15.4%
01/01/2013	0.00	904,941	904,941	0.00 %	5,895,097	15.4%
01/01/2012	0.00	870,136	870,136	0.00 %	5,728,798	15.2 %
01/01/2011	0.00	1,040,830	1,040,830	0.00 %	5,901,671	17.6%
01/01/2010	0.00	995,590	995,590	0.00 %	5,901,671	16.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Increase (Decrease) to Net OPEB (Asset) Obligation</u>	<u>Net OPEB (Asset) Obligation</u>
12/31/2017	\$ 70,648	\$ 28,400	40.20 %	\$ 42,248	\$ 232,600
12/31/2016	68,554	26,296	38.36 %	42,258	190,352
12/31/2015	66,568	24,348	36.58 %	42,220	148,094
12/31/2014	77,785	41,447	53.28 %	36,337	105,874
12/31/2013	75,404	38,377	50.89 %	37,027	69,537
12/31/2012	73,153	35,534	48.57 %	37,619	32,510
12/31/2011	82,187	83,066	101.1 %	939	(5,109)
12/31/2010	78,897	83,067	105.3 %	4,170	(4,170)

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Schedule of the Proportionate Share of the Net Pension Liability
Cost Sharing Plans Only
For the Year Ended December 31, 2017 (*)

Year	Pension Plan	Employer's Proportion of the Net Pension Liability (Asset)	Employer's 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
2017	MERS (Plan A)	0.0415%	\$ 173,533	\$ 74,246	233.7271%	62.4940%
2016	MERS (Plan A)	0.0386%	158,091	48,131	328.4598%	62.1103%
2015	MERS (Plan A)	0.0334%	119,146	56,906	209.3734%	66.1790%
2014	MERS (Plan A)	0.0324%	83,125	62,719	132.5356%	73.9900%
2017	MPERS	0.6094%	5,320,084	1,803,009	295.0670%	70.0815%
2016	MPERS	0.6381%	5,980,832	1,786,352	334.8070%	66.0422%
2015	MPERS	0.7028%	5,505,641	1,727,198	318.7614%	70.7300%
2014	MPERS	0.7744%	4,844,528	1,863,353	259.9898%	75.1010%
2017	FRSL	0.5820%	3,336,005	1,368,523	243.7668%	73.5479%
2016	FRSL	0.5631%	3,682,876	1,269,799	290.0361%	68.1550%
2015	FRSL	0.6181%	3,335,696	1,212,206	275.1757%	72.4480%
2014	FRSL	0.6475%	2,881,461	1,412,941	203.9336%	76.0150%

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

(*) The amounts presented have a measurement date of June 30th for the year identified.

The four Retirement Systems reported in this schedule are as follows:

Multiple Employer Cost Sharing Pension Plans:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

FRSL = Firefighters Retirement System of Louisiana

Single Employer Pension Plan:

COBERS = City of Bogalusa Employees' Retirement System

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Schedule of Contributions to Each Retirement System
Cost Sharing Plans Only
For the Year Ended December 31, 2017

Year	Pension Plan:	Contractually Required Contribution ¹	Contributions in Relation to Contractually Required Contribution ²	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll ³	Contributions as a % of Covered Employee Payroll
2017	MERS (Plan A)	\$ 17,411	\$ 17,411	\$ -	\$ 73,285	23.7579%
2016	MERS (Plan A)	15,118	15,118	-	70,791	21.3558%
2015	MERS (Plan A)	8,845	8,845	-	44,786	19.7495%
2014	MERS (Plan A)	12,175	12,175	-	63,235	19.2536%
2017	MPERS	552,717	552,717	-	1,766,587	31.2873%
2016	MPERS	543,670	543,670	-	1,762,885	30.8398%
2015	MPERS	530,514	530,514	-	1,742,235	30.4502%
2014	MPERS	583,058	583,058	-	1,866,063	31.2454%
2017	FRSL	340,232	340,232	-	1,315,095	25.8713%
2016	FRSL	342,473	342,473	-	1,308,677	26.1694%
2015	FRSL	345,454	345,454	-	1,226,730	28.1606%
2014	FRSL	373,519	373,519	-	1,299,057	28.7531%

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

For reference only:

¹ Employer contribution rate multiplied by employer's covered employee payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered employee payroll amount for the year ended December 31 of each year

The four Retirement Systems reported in this schedule are as follows:

Multiple Employer Cost Sharing Pension Plans:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

FRSL = Firefighters Retirement System of Louisiana

Single Employer Pension Plan:

COBERS = City of Bogalusa Employees' Retirement System

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of Benefit Terms include:

- Municipal Employees' Retirement System
 - No Changes
- Municipal Police Employees' Retirement System
 - No Changes
- Louisiana Firefighters' Retirement System
 - No Changes

Changes of Assumptions

- Municipal Employees' Retirement System
 - The discount rate was changed in 2017 to 7.40% from 7.50% used in 2016 – 2015 and 7.75% used in 2014
- Municipal Police Employees' Retirement System
 - The discount rate was changed in 2017 to 7.325% from 7.50% used in 2016 - 2014
- Louisiana Firefighters' Retirement System
 - The discount rate was changed in 2017 to 7.40% from 7.50% used in 2016 - 2014

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Schedule of Changes in Net Pension Liability and Related Ratios
City of Bogalusa Employees' Retirement System only
For the Year Ended June 30, 2017

	2017	2016	2015
Total pension liability:			
Service Cost	\$ 640,501	\$ 450,028	\$ 573,567
Interest	825,027	510,581	802,188
Difference between expected and actual experience	(2,493,396)	4,249,842	(472,600)
Benefit payments	(1,128,999)	(1,152,324)	(1,050,370)
Net change in total pension liability	(2,156,867)	4,058,127	(147,215)
Total pension liability - beginning	29,155,159	25,097,032	25,244,247
Total pension liability - ending	<u>\$26,998,292</u>	<u>\$29,155,159</u>	<u>\$ 25,097,032</u>
Plan fiduciary net position:			
Contributions employer	\$ 397,604	\$ 371,358	\$ 348,426
Contributions employee	109,830	98,567	97,978
Net investment income (loss)	359,096	(14,146)	248,314
Benefit payments, refunds and expenses	(1,128,999)	(1,152,324)	(1,050,859)
Other	(1,702)	(2,338)	-
Change in plan fiduciary net position	(264,171)	(698,883)	(356,141)
Plan fiduciary net position - beginning	4,901,106	5,599,989	5,956,130
Plan fiduciary net position - ending	<u>\$ 4,636,935</u>	<u>\$ 4,901,106</u>	<u>\$ 5,599,989</u>
Net pension liability - beginning	\$24,254,053	\$19,497,043	\$ 19,288,117
Change in net pension liability	(1,892,696)	4,757,010	208,926
Net pension liability - ending	<u>\$22,361,357</u>	<u>\$24,254,053</u>	<u>\$ 19,497,043</u>
Plan fiduciary net position as a percentage of the total pension liability	17.17%	16.81%	22.31%

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

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Required Supplemental Information
December 31, 2017
(UNAUDITED)

Schedule of Single Employer Plan Contributions
City of Bogalusa Employees' Retirement System only
For the Year Ended June 30, 2017

	2017	2016	2015	2014
Actuarially determined contribution	\$1,160,114	\$ 1,126,471	\$ 1,100,137	\$ 1,128,408
Contributions in relation to the actuarially determined contribution	507,434	469,925	446,404 ^A	535,035
Contribution deficiency (excess)	652,680	656,546	653,733	593,373
Covered employee payroll	\$1,856,076	\$ 1,642,781	\$ 1,632,973	\$ 2,131,578
Actuarially determined contributions as a percentage of covered employee payroll	62.50%	68.57%	67.37%	52.94%
Actual contributions in relation to actuarially determined contributions as a percentage of covered employee payroll	27.34%	28.61%	27.34%	25.10%
Contribution deficiency (excess) as a percentage of covered employee payroll	35.16%	39.97%	40.03%	27.84%

^A The 2015 contribution accrual totaled \$468,150; however, an accounting adjustment of \$21,746 was recorded to the 2015 accrual to correct accumulated excess amounts from prior years.

Notes to schedule:

Actuarial cost method	Entry age normal cost
Amortization method	Level dollar payment
Remaining amortization period	23 years
Asset valuation method	Market
Discount rate	2.878% - 2017; 2.093% - 2016; 3.208% 2015 and 2014
Inflation	3.50%
Salary increases	4.5% average per year of employment and increase 2.5% per year of aggregate payroll
Investment rate of return	6.50%
Retirement age	It has been assumed that retirements will not occur at any one age, but that the plan will experience retirements at different rates from age 50 through age 69. It is assumed that everyone will retire by the age of 69.
Mortality	For pre-retirement and post-retirement mortality, the rates of the 2016 Applicable Mortality Table (Optional Combined Table for Small Plans) were used. This table is a recent study of group annuitant mortality and should be representative of the pension plan's experience.

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

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,141,600	\$ 2,239,120	\$ 2,257,090	\$ 17,970
Sales taxes	3,145,170	3,034,620	3,166,340	131,720
Other taxes	12,100	17,230	26,070	8,840
Licenses and permits	410,400	388,820	401,128	12,308
Franchise fees	331,500	235,580	288,104	52,524
Intergovernmental	541,000	477,990	574,001	96,011
Charges for services	81,000	102,380	107,872	5,492
Fines	150,000	149,640	152,771	3,131
Interest	200	3,310	18,364	15,054
Miscellaneous	112,700	188,330	197,513	9,183
Total revenues	6,925,670	6,837,020	7,189,253	352,233
Expenditures:				
Current -				
General government	3,324,560	2,900,460	2,857,047	43,413
Public safety	5,475,250	5,224,480	5,081,399	143,081
Public works	1,510,040	1,568,240	1,508,473	59,767
Airport	114,520	125,290	123,414	1,876
Intergovernmental	188,200	318,440	320,203	(1,763)
Total expenditures	10,612,570	10,136,910	9,890,536	246,374
Deficiency of revenues over expenditures	(3,686,900)	(3,299,890)	(2,701,283)	598,607
Other financing sources (uses):				
Sale of assets	-	-	-	-
Transfers to other funds	(95,096)	(268,703)	-	268,703
Transfers from other funds	3,781,996	3,568,593	2,776,735	(791,858)
	3,686,900	3,299,890	2,776,735	(523,155)
Net change in fund balance	-	-	75,452	75,452
Fund balance (deficit), beginning	-	7,423	7,423	-
Fund balance (deficit), ending	\$ -	\$ 7,423	\$ 82,875	\$ 75,452

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL COMPLEX SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Sales Taxes	\$ 534,740	\$ 523,400	\$ 546,121	\$ 22,721
Interest	500	1,110	1,105	(5)
Total revenues	<u>535,240</u>	<u>524,510</u>	<u>547,226</u>	<u>22,716</u>
Expenditures:				
Economic Development	210,000	197,600	186,422	11,178
Capital Outlay	1,560,000	839,150	775,473	63,677
Total expenditures	<u>1,770,000</u>	<u>1,036,750</u>	<u>961,895</u>	<u>74,855</u>
Excess of revenues over expenditures	(1,234,760)	(512,240)	(414,669)	97,571
Other financing uses:				
Transfers out to other funds	(25,000)	(25,000)	(25,000)	-
	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>(1,259,760)</u>	<u>(537,240)</u>	<u>(439,669)</u>	<u>97,571</u>
Fund balance, beginning	<u>2,164,567</u>	<u>2,190,703</u>	<u>2,190,703</u>	<u>-</u>
Fund balance, ending	<u>\$ 904,807</u>	<u>\$ 1,653,463</u>	<u>\$ 1,751,034</u>	<u>\$ 97,571</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
LANDFILL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Advalorem taxes	350,890	366,710	366,088	\$ (622)
Interest	60	60	62	2
Total revenues	<u>350,950</u>	<u>366,770</u>	<u>366,150</u>	<u>(620)</u>
Expenditures:				
Current -				
Landfill	350,950	366,770	442,100	(75,330)
Total expenditures	<u>350,950</u>	<u>366,770</u>	<u>442,100</u>	<u>(75,330)</u>
Excess (deficiency) of revenues over expenditures	-	-	(75,950)	(75,950)
Other financing uses:				
Transfers in from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(75,950)</u>	<u>(75,950)</u>
Fund balance, beginning	<u>224,749</u>	<u>(367,507)</u>	<u>(367,507)</u>	<u>-</u>
Fund balance, ending	<u>\$ 224,749</u>	<u>\$ (367,507)</u>	<u>\$ (443,457)</u>	<u>\$ (75,950)</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Taxes:				
Ad valorem taxes	\$ 2,141,600	\$ 2,239,120	\$ 2,257,090	\$ 17,970
Sales tax	3,145,170	3,034,620	3,166,340	131,720
Beer tax	12,000	17,040	16,717	(323)
Bogalusa Housing Authority taxes	-	-	9,163	9,163
Tax certificates	100	190	190	-
Total taxes	5,298,870	5,290,970	5,449,500	158,530
Licenses and permits:				
Occupational licenses and interest	400,000	379,090	391,144	12,054
Alcoholic beverages licenses and permits	10,000	10,960	10,960	-
Electrical permits	300	100	350	250
Miscellaneous Permits	100	-	-	-
Burial Permits and other	-	(1,330)	(1,326)	4
Total licenses and permits	410,400	388,820	401,128	12,308
Franchise fees				
Entergy Electrical	175,000	161,350	188,007	26,657
Centerpoint Natural Gas	80,000	65,070	79,441	14,371
Charter Cable TV	40,000	-	-	-
Bell South / AT&T Franchise Fee	36,000	8,550	20,042	11,492
Southern Lighting of LA	500	610	614	4
Total franchise fees	331,500	235,580	288,104	52,524
Intergovernmental:				
State Supplemental Pay	396,000	301,600	382,433	80,833
Federal Emergency Management Agency	-	-	-	-
LCLE Receipts	-	-	4,920	4,920
DODT Grant	-	-	-	-
Airport State Grant	-	-	6,997	6,997
Louisiana Safety Commission Grant	-	48,090	48,088	(2)
Louisiana Facilities Planning	-	-	-	-
Department of Justice Grant	60,000	73,650	76,913	3,263
UNO Research Grant	-	54,650	54,650	-
Recreational Trails Grant	85,000	-	-	-
Total intergovernmental	\$ 541,000	\$ 477,990	\$ 574,001	\$ 96,011

See accompanying independent auditor's report.

(continued)

Other Supplemental Information

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Charges for services:				
Zoning change charges	\$ 1,000	\$ 1,000	\$ 1,138	138
Wreck and fire reports	5,000	5,850	6,438	588
Pound fees	500	310	320	10
Witness fees	-	7,050	7,640	590
Recording deeds	(5,000)	(2,620)	(2,621)	(1)
Research fees	2,000	3,420	3,187	(233)
Bonding fees	15,000	22,410	25,575	3,165
Fingerprint fees	2,000	2,810	3,200	390
Archon collection fee	60,000	61,500	62,345	845
Miscellaneous	500	650	650	-
Total charges for services	81,000	102,380	107,872	5,492
Fines and Penalties				
Court Fines	150,000	149,640	152,771	3,131
Total fines	150,000	149,640	152,771	3,131
Interest:				
Interest Earned	100	130	142	12
Cassidy Park Campground Donations & Interest	-	3,140	18,141	15,001
Main Street Donations & Interest	-	-	32	32
Retirement Interest Earned	100	40	49	9
Total interest earned	200	3,310	18,364	15,054
Miscellaneous:				
2% fire insurance	59,000	64,700	64,701	1
Cemetery plot sales	10,000	9,500	10,500	1,000
Airport income	1,000	1,350	1,350	-
Returned checks charges	500	940	1,075	135
Police seized funds	6,000	6,000	5,924	(76)
Over and short	-	-	(1)	(1)
ATM rent	300	300	300	-
Sale of adjudicated property	10,000	31,870	31,874	4
Xerox receipts	200	90	85	(5)
Rental Income	900	940	1,230	290
Conexis Premium Account	(200)	-	-	-
Centennial Jubilee Reciepts	-	20	826	806
Worker's Compensation Reimbursement	-	27,000	28,990	1,990
Other miscellaneous revenue	25,000	45,620	50,659	5,039
Total miscellaneous	112,700	188,330	197,513	9,183
TOTAL REVENUES	\$ 6,925,670	\$ 6,837,020	\$ 7,189,253	\$ 352,233 (concluded)

See accompanying independent auditor's report.

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
General Government:				
<i>City Council:</i>				
Salaries and wages	\$ 79,400	\$ 78,940	\$ 79,066	\$ (126)
Contract overtime	1,000	970	968	2
Overtime	-	480	480	-
Supplies and expense	4,500	3,000	2,120	880
Employee group insurance	7,600	7,680	7,028	652
Travel	1,000	-	-	-
Auditing fees	75,000	69,480	78,075	(8,595)
Publications	2,700	13,790	12,890	900
City Employment Retirement System	3,200	3,210	3,212	(2)
Payroll Tax Expense	4,400	4,330	4,329	1
<i>Total City Council</i>	<u>178,800</u>	<u>181,880</u>	<u>188,168</u>	<u>(6,288)</u>
<i>Mayor's Office:</i>				
Salaries and wages	102,300	119,730	119,942	(212)
Contract overtime	1,100	1,000	1,002	(2)
Overtime	-	-	148	(148)
Supplies and expense	7,800	10,030	11,553	(1,523)
Gas and oil	3,000	3,100	2,031	1,069
Employee group insurance	15,200	15,360	14,056	1,304
Travel	2,000	720	541	179
Dues and subscriptions	600	-	-	-
City Employment Retirement System	3,300	3,300	3,309	(9)
Mayor's Municipal State Retirement System	16,900	17,300	17,411	(111)
Payroll Tax Expense	1,500	2,840	2,839	1
<i>Total Mayor's Office</i>	<u>153,700</u>	<u>173,380</u>	<u>172,832</u>	<u>548</u>
<i>City Attorney:</i>				
Legal and professional	24,000	24,000	24,040	(40)
<i>Total City Attorney</i>	<u>24,000</u>	<u>24,000</u>	<u>24,040</u>	<u>(40)</u>
<i>City Prosecutor:</i>				
Salaries and wages	53,000	52,990	53,074	(84)
Contract overtime	1,010	1,000	1,003	(3)
Overtime	1,000	1,000	854	146
Supplies and expense	500	760	506	254
Employee group insurance	7,600	7,680	7,028	652
City Employment Retirement System	-	2,470	2,439	31
Payroll Tax Expense	2,300	2,290	2,284	6
<i>Total City Prosecutor</i>	<u>\$ 65,410</u>	<u>\$ 68,190</u>	<u>\$ 67,188</u>	<u>\$ 1,002</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<i>Personnel:</i>				
Salaries and wages	\$ 43,200	\$ 43,190	\$ 43,253	\$ (63)
Supplies and expense	500	500	111	389
Employee group insurance	7,600	7,680	7,028	652
City Employment Retirement System	4,800	4,750	4,750	-
Payroll Tax Expense	-	-	1	(1)
<i>Total personnel</i>	56,100	56,120	55,143	977
<i>Administration and Finance:</i>				
Salaries and wages	319,600	305,930	305,632	298
Contract overtime	5,500	5,650	5,666	(16)
Overtime	6,500	2,710	1,613	1,097
Uniform expense	-	2,100	2,100	-
Supplies and expense	35,000	26,170	25,201	969
Gas and oil	200	300	168	132
Employee group insurance	55,700	55,710	50,499	5,211
Travel	500	650	643	7
Contract labor - pension records	11,000	15,000	(1,090)	16,090
City Employment Retirement System	26,400	26,150	24,826	1,324
Payroll Tax Expense	5,400	4,890	4,853	37
<i>Total administration and finance</i>	465,800	445,260	420,111	25,149
<i>Purchasing:</i>				
Salaries and wages	28,790	28,790	28,835	(45)
Supplies and expense	900	450	286	164
Employee group insurance	7,600	1,180	1,172	8
Advertising	10,000	7,090	7,742	(652)
Travel	-	50	50	-
City Employment Retirement System	3,170	3,170	3,167	3
Payroll Tax Expense	420	420	418	2
<i>Total purchasing</i>	\$ 50,880	\$ 41,150	\$ 41,670	\$ (520)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<i>General and Administrative:</i>				
Fica, medicare and payroll tax expenses	\$ -	\$ 20	\$ 16	\$ 4
City Employment Retirement System	191,900	193,840	199,212	(5,372)
Interest expense	10,000	3,590	4,837	(1,247)
Insurance expense	1,004,030	1,009,280	1,039,697	(30,417)
Legal and other professional	167,200	165,000	195,458	(30,458)
Utilities expense	384,000	290,000	260,802	29,198
Coronor's expense	36,000	15,220	20,604	(5,384)
Wash. Parish Veterans Office	12,960	3,240	2,160	1,080
Municipal fire and police - civil service	3,030	3,950	3,947	3
Police witness fees	16,500	-	-	-
Bonding fees expense	23,000	1,000	1,621	(621)
Assessor's expenses	-	-	5,845	(5,845)
Advertising	450	14,970	10,693	4,277
Miscellaneous	39,000	32,500	33,249	(749)
Election expense	-	3,790	3,786	4
Planning and zoning	4,800	4,160	3,951	209
ICON/Believe	1,500	-	-	-
Sales Tax Collection Expense	45,000	43,760	-	43,760
Main Street expenses	500	-	-	-
Centenial Jubilee and beautification expenses	1,000	11,600	15,597	(3,997)
City beautification project	51,000	730	726	4
ARCHON Information Services	60,000	60,000	31,052	28,948
Demolition Expenses	10,000	-	-	-
Grant Expenses	-	41,830	41,830	-
FEMA Repayment	12,000	12,000	12,000	-
March Flood Expenses	171,000	-	812	(812)
Recreational Trail Grant	85,000	-	-	-
<i>Total general and administrative</i>	<u>2,329,870</u>	<u>1,910,480</u>	<u>1,887,895</u>	<u>22,585</u>
Total general government	<u>\$ 3,324,560</u>	<u>\$ 2,900,460</u>	<u>\$ 2,857,047</u>	<u>\$ 43,413</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Public Safety</u>				
<i>Police:</i>				
Salaries and wages	\$ 1,478,900	\$ 1,402,150	\$ 1,409,720	\$ (7,570)
Contract overtime	154,400	138,910	138,545	365
Overtime	250,600	231,200	215,658	15,542
State supplemental pay	204,000	183,080	183,833	(753)
Uniform allowance	15,000	16,600	17,300	(700)
Supplies and expense	50,000	78,990	46,132	32,858
Signs and maintenance	-	1,150	1,235	(85)
Gas and oil	70,000	77,140	49,532	27,608
Employee group insurance	318,700	300,510	269,884	30,626
Travel	1,500	4,030	4,736	(706)
Repairs - equipment and radios	5,000	3,110	2,708	402
Special investigations	-	100	100	-
Narcotics investigations	-	600	900	(300)
Education and training	5,000	7,900	7,294	606
City Employment Retirement System	3,050	2,920	2,912	8
Police State Pension	524,800	494,870	493,979	891
Payroll Tax Expense	30,300	24,370	27,193	(2,823)
<i>Total police</i>	<u>3,111,250</u>	<u>2,967,630</u>	<u>2,871,661</u>	<u>95,969</u>
<i>Fire:</i>				
Salaries and wages	1,101,400	1,096,230	1,093,773	2,457
Contract overtime	154,900	122,320	120,962	1,358
Overtime	124,100	106,520	179,247	(72,727)
Holiday pay	75,000	65,000	-	65,000
State supplemental pay	192,000	188,990	186,600	2,390
Uniform allowance	11,500	10,500	10,850	(350)
Supplies and expense	20,000	13,860	18,361	(4,501)
Equipment	-	-	340	(340)
Gas and oil	26,000	17,350	12,396	4,954
Employee group insurance	242,800	240,040	217,853	22,187
Travel	1,000	-	-	-
Repair - equipment	5,000	12,280	9,880	2,400
Education and training	3,000	-	-	-
Fire State Pension	383,400	360,860	337,408	23,452
Payroll Tax Expense	23,900	22,900	22,068	832
<i>Total fire</i>	<u>2,364,000</u>	<u>2,256,850</u>	<u>2,209,738</u>	<u>47,112</u>
Total public safety	<u>\$ 5,475,250</u>	<u>\$ 5,224,480</u>	<u>\$ 5,081,399</u>	<u>\$ 143,081</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<u>Public Works</u>				
<i>Public works - central:</i>				
Salaries and wages	\$ 656,700	\$ 673,120	\$ 674,559	\$ (1,439)
Overtime	40,000	34,980	50,532	(15,552)
Contract overtime	1,790	1,790	1,792	(2)
Allowance - rainsuits, clothing	1,750	1,610	1,610	-
Supplies and expense	40,000	39,520	30,862	8,658
Equipment	-	24,110	16,611	7,499
Gas and oil	90,000	68,580	45,540	23,040
Tools and Equipment	10,000	23,560	18,472	5,088
Cemetery maintenance materials	6,500	7,460	6,494	966
Uniform expense	21,000	20,000	22,346	(2,346)
Employee group insurance	182,100	190,890	178,501	12,389
Travel	500	50	41	9
Education & Training	500	-	-	-
Repairs - equipment	500	-	777	(777)
City Employment Retirement System	64,800	60,410	60,656	(246)
Payroll Tax Expense	14,120	14,110	14,354	(244)
<i>Total public works - central</i>	1,130,260	1,160,190	1,123,147	37,043
<i>Public works - electrical:</i>				
Salaries and wages	53,150	62,070	62,138	(68)
Overtime	-	5,540	8,127	(2,587)
Allowance - rainsuits, clothing	170	130	130	-
Supplies and expense	1,000	11,200	9,971	1,229
Tools and equipment	500	-	-	-
Employee group insurance	9,410	7,680	7,028	652
City Employment Retirement System	4,800	3,240	3,299	(59)
Payroll Tax Expense	780	980	1,019	(39)
<i>Total public works - electrical</i>	69,810	90,840	91,712	(872)
<i>Public works - motor pool:</i>				
Salaries and wages	102,900	102,820	102,821	(1)
Overtime	4,500	6,860	7,205	(345)
Allowance - rainsuits, clothing	290	280	280	-
Supplies and expense	10,000	26,580	22,560	4,020
Tools and equipment	8,000	5,400	3,995	1,405
Gas and oil	9,600	10,680	6,476	4,204
Employee group insurance	30,350	28,110	28,680	(570)
Vehicle maintenance - general	5,000	2,780	2,386	394
Vehicle maintenance - police	50,000	53,950	49,510	4,440
Vehicle maintenance - fire	25,000	9,780	9,337	443
Vehicle maintenance - public works	50,000	57,240	47,410	9,830
Licenses - chauffeurs	530	410	582	(172)
City Employment Retirement System	12,200	10,730	10,775	(45)
Payroll Tax Expense	1,600	1,590	1,597	(7)
<i>Total public works - motor pool</i>	309,970	317,210	293,614	23,596
Total public works	\$ 1,510,040	\$ 1,568,240	\$ 1,508,473	\$ 59,767

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Airport:				
Salaries and wages	\$ 40,650	\$ 40,650	\$ 40,716	\$ (66)
Employee group insurance	7,600	7,680	7,028	652
Utilities	35,000	38,490	38,774	(284)
Maintenance	18,000	22,840	20,109	2,731
Supplies and expense	6,000	2,970	3,957	(987)
Travel	200	590	1,033	(443)
Gas & oil	2,000	2,040	1,777	263
City Employment Retirement System	4,480	4,480	4,471	9
Payroll Tax Expense	590	590	590	-
Insurance-Property Damage	-	4,960	4,959	1
Total airport	<u>114,520</u>	<u>125,290</u>	<u>123,414</u>	<u>1,876</u>
Intergovernmental :				
City court personnel compensation	178,200	183,810	192,695	(8,885)
City court supplies and expense	10,000	134,630	127,508	7,122
Total intergovernmental	<u>188,200</u>	<u>318,440</u>	<u>320,203</u>	<u>(1,763)</u>
TOTAL EXPENDITURES	<u>\$ 10,612,570</u>	<u>\$ 10,136,910</u>	<u>\$ 9,890,536</u>	<u>\$ 246,374</u> (concluded)

See accompanying independent auditor's report.

Non-Major Governmental Funds

CITY OF BOGALUSA, LOUISIANA
Non-Major Governmental Funds
December 31, 2017

Special Revenue Funds

Employee Pay Raise Sales Tax - Accounts for the receipt of a 1/2 cent sales and use tax. The proceeds are dedicated to the purpose of paying salaries and benefits of City employees. The tax is for an indefinite period.

Street Improvement Sales Tax - Accounts for the receipt of 25% of a one-cent sales and use tax. The proceeds are dedicated to street and drainage repair, maintenance, operation and additions.

Capital Improvement Sales Tax - Accounts for the receipt of 15% of a one-cent sales and use tax. The proceeds are dedicated to the acquisition, operation, and maintenance of land, buildings, and equipment.

Industrial Complex Rent/Lease - Accounts for the receipt of rent from the Industrial Park. Expenditures are not legally restricted for any certain purpose.

Youth Recreation and Parks - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining parks and recreation facilities.

Jail Operations Sales Tax - Accounts for the receipt of one-third of one percent (1/3%) sales and use tax dedicated for improvements, maintenance and operation of the City Jail, including, but not limited to, the construction of additions to or expansions of the existing Bogalusa City Jail and for purchasing, maintaining and operating related equipment.

LCDBG Fund - Accounts for the receipt of the LCDBG grant dedicated to improvements and renovations of the water tower owned by the City.

Brownfields Assessment Grant Fund - Accounts for the receipt of Brownfields Assessment grant funds used for Type I assessments of property to be used for commercial purposes.

Municipal Building Fund - Accounts for the receipt of a 2-mill ad-valorem tax dedicated to improvements and renovations to existing structures owned by the City.

Capital Projects Fund

Airport Expansion Fund – Accounts for the federal grant revenues and expenditures thereof for capital improvements at the George R. Carr Memorial Airport.

Debt Service Fund

General Obligation Bond Sinking Fund #4 - Accumulates monies for payment of the \$1,750,000 General Obligations Revenue Bonds, Series 2007 for street overlay.

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds						
	Employee Pay Raise Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund	LCDBG Fund
<u>ASSETS</u>							
Cash and cash equivalents	\$ 6	\$ 32,127	\$ 100,586	\$ 12,594	\$ 56,746	\$ 1,619	\$ 100
Investments in joint venture	-	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	38,988	-	-
Accounts receivable	125,139	62,569	37,492	1,500	80,705	84,675	182,586
Due from other funds	-	-	117,821	206,822	6,724	724	21,924
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
TOTAL ASSETS	125,145	94,696	255,899	220,916	183,163	87,018	204,610
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 125,145	\$ 94,696	\$ 255,899	\$ 220,916	\$ 183,163	\$ 87,018	\$ 204,610
<u>LIABILITIES</u>							
Accounts payable	\$ -	\$ 1,912	\$ -	\$ -	\$ 426	\$ 4,142	\$ 182,586
Accrued expenses	-	-	-	-	650	8,934	-
Due to other funds	124,145	111,609	-	-	364,228	-	21,924.00
TOTAL LIABILITIES	124,145	113,521	-	-	365,304	13,076	204,510
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unearned revenue	-	-	-	-	5,019	-	-
<u>FUND BALANCES</u>							
Non-spendable	-	-	-	-	-	-	-
Restricted for:							
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	255,899	-	-	-	-
Maintenance	-	-	-	-	-	-	100
Special programs	1,000	-	-	220,916	-	73,942	-
Unassigned	-	(18,825)	-	-	(187,160)	-	-
TOTAL FUND BALANCES	1,000	(18,825)	255,899	220,916	(187,160)	73,942	100
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 125,145	\$ 94,696	\$ 255,899	\$ 220,916	\$ 183,163	\$ 87,018	\$ 204,610

(continued)

See accompanying independent auditor's report.

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Brownsfield Assessment Grant Fund</u>	<u>Municipal Building Fund</u>	<u>Airport Expansion Fund</u>	<u>General Obligation Bond Sinking Fund #4</u>	
ASSETS					
Cash and cash equivalents	\$ 5	\$ 123,709	\$ 5	\$ 187,550	\$ 515,047
Property taxes receivable	-	38,988	-	32,393	110,369
Accounts receivable	-	-	536,565	-	1,111,231
Due from other funds	-	94,622	51,481	328,256	828,374
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
TOTAL ASSETS	<u>5</u>	<u>257,319</u>	<u>588,051</u>	<u>548,199</u>	<u>2,565,021</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5</u>	<u>\$ 257,319</u>	<u>\$ 588,051</u>	<u>\$ 548,199</u>	<u>\$ 2,565,021</u>
LIABILITIES					
Accounts payable	\$ -	\$ 4,197	\$ 432,811	\$ -	\$ 626,074
Accrued expenses	-	-	-	-	9,584
Due to other funds	-	-	155,240	133,665	910,811
TOTAL LIABILITIES	<u>-</u>	<u>4,197</u>	<u>588,051</u>	<u>133,665</u>	<u>1,546,469</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes unavailable for current year	-	5,019	-	4,172	14,210
FUND BALANCES					
<u>Non-spendable</u>	-	-	-	-	-
<u>Restricted for:</u>					
Debt service	-	-	-	410,362	410,362
Capital projects	-	-	-	-	255,899
Maintenance	-	248,103	-	-	248,203
Special programs	5	-	-	-	295,863
<u>Unassigned</u>	-	-	-	-	(205,985)
TOTAL FUND BALANCES	<u>5</u>	<u>248,103</u>	<u>-</u>	<u>410,362</u>	<u>1,004,342</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 5</u>	<u>\$ 257,319</u>	<u>\$ 588,051</u>	<u>\$ 548,199</u>	<u>\$ 2,565,021</u>

(concluded)

See accompanying independent auditor's report.

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds						
	Employee Pay Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund	LCDBG Fund
Revenues:							
Ad valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ 146,290	\$ -	\$ -
Sales Taxes	1,092,234	546,116	327,236	-	-	719,717	-
Intergovernmental	-	-	-	-	56,771	53,866	605,212
Interest	8	12	24	16	12	5	-
Rent	-	-	-	305,281	-	-	-
Miscellaneous	-	-	23,154	-	13,951	36,532	-
Total revenues	<u>1,092,242</u>	<u>546,128</u>	<u>350,414</u>	<u>305,297</u>	<u>217,024</u>	<u>810,120</u>	<u>605,212</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	807,061	-
Public works	-	564,953	76,576	-	-	-	-
Culture and Recreation	-	-	-	-	217,823	-	-
Economic Development	-	-	-	59,199	-	-	-
Airport	-	-	-	-	-	-	-
Capital outlay	-	-	397,651	-	119,015	-	-
Debt Service:							
Capital lease payments	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Cost of issuance	-	-	5,383	-	-	-	-
Total expenditures	<u>-</u>	<u>564,953</u>	<u>479,610</u>	<u>59,199</u>	<u>336,838</u>	<u>807,061</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,092,242	(18,825)	(129,196)	246,098	(119,814)	3,059	605,212
Other financing sources (uses):							
Proceeds from disposal of capital assets	-	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	-	312,000	-	-	-	-
Transfers to other funds	(1,092,242)	-	-	(155,774)	-	-	(633,712)
Transfers from other funds	-	-	-	28,500	69,000	10,000	-
	<u>(1,092,242)</u>	<u>-</u>	<u>312,000</u>	<u>(127,274)</u>	<u>69,000</u>	<u>10,000</u>	<u>(633,712)</u>
Net change in fund balance	-	(18,825)	182,804	118,824	(50,814)	13,059	(28,500)
Fund balance (deficit), beginning	1,000	-	73,095	102,092	(136,346)	60,883	28,600
Fund balance (deficit), ending	<u>\$ 1,000</u>	<u>\$ (18,825)</u>	<u>\$ 255,899</u>	<u>\$ 220,916</u>	<u>\$ (187,160)</u>	<u>\$ 73,942</u>	<u>\$ 100</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Brownsfield Assessment Grant Fund</u>	<u>Municipal Building Fund</u>	<u>Airport Expansion Fund</u>	<u>General Obligation Bond Sinking Fund #4</u>	
Revenues:					
Ad valorem Taxes	\$ -	\$ 146,290	\$ -	\$ 121,843	\$ 414,423
Sales Taxes	-	-	-	-	2,685,303
Intergovernmental	117,935	-	1,209,245	-	2,043,029
Interest	-	39	-	47	163
Rent	-	-	-	-	305,281
Miscellaneous	-	-	-	-	73,637
Total revenues	<u>117,935</u>	<u>146,329</u>	<u>1,209,245</u>	<u>121,890</u>	<u>5,521,836</u>
Expenditures:					
Current -					
Public safety	-	-	-	-	807,061
Public works	-	-	-	-	641,529
Culture and Recreation	-	104,981	-	-	322,804
Economic Development	117,935	-	-	-	177,134
Airport	-	-	44	-	44
Capital outlay	-	-	1,209,201	-	1,725,867
Debt Service -					
Capital lease payments	-	-	-	-	-
Principal	-	-	-	125,000	125,000
Interest	-	-	-	35,773	35,773
	-	-	-	-	5,383
Total expenditures	<u>117,935</u>	<u>104,981</u>	<u>1,209,245</u>	<u>160,773</u>	<u>3,840,595</u>
Excess (deficiency) of revenues over expenditures	-	41,348	-	(38,883)	1,681,241
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	312,000
Transfers to other funds	-	-	-	-	(1,881,728)
Transfers from other funds	-	-	-	-	107,500
	-	-	-	-	(1,462,228)
Net change in fund balance	-	41,348	-	(38,883)	219,013
Fund balance (deficit), beginning	<u>5</u>	<u>206,755</u>	<u>-</u>	<u>449,245</u>	<u>785,329</u>
Fund balance, ending	<u>\$ 5</u>	<u>\$ 248,103</u>	<u>\$ -</u>	<u>\$ 410,362</u>	<u>\$ 1,004,342</u>

See accompanying independent auditor's report.

(concluded)

Schedule Required by State Law LSA RS 24:513A(1)(a)(3)

CITY OF BOGALUSA, LOUISIANA
Schedule Required by State Law LSA RS 24:513A(1)(a)(3):
Schedule of Compensation, Benefits and Other Payments to Agency Head
December 31, 2017

The following schedule is required by Louisiana State Law LSA RS 24:513(1)(a)(3) on compensation and benefits paid to the agency head:

Agency Head Name: Wendy O'Quin Perrette, Mayor

Purpose	Amount
Salary	\$ 73,285
Benefits-insurance - health	7,028
Benefits-insurance - life	189
Benefits-retirement	17,299
Payroll Taxes	1,063
Car Allowance - Fuel	2,031
Per diem	336
Travel	441
	<hr/>
	\$ 101,672

See accompanying independent auditor's report.

Information Required by Debt Agreements

CITY OF BOGALUSA, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2017
(UNAUDITED)

<u>Policy</u>	<u>Insurance Company</u>	<u>Term</u>	<u>Policy#</u>	<u>Coverage</u>
Property/Inland Marine	Scottsdale Insurance Company	3/25/2017 - 3/25/2018	CPS2627404	Various
Electronic Equipment	Liberty Mutual	1/1/2017 - 1/1/2018	IM8107636	\$ 577,000
Equipment Breakdown	Travelers	1/1/2017 - 1/1/2018	M5J-BM1- 1942X304-TIL17	\$ 100,000 each
Crime	Travelers	2/12/2017 - 2/12/2020	105562262	\$ 75,000
Airport Liability Lessor's Risk Only	Old Republic Insurance Company	11/1/2016 - 11/1/2017	PR 00258804	\$ 2,000,000
Worker's Compensation	LA Muni Risk Mgmt Agency	1/1/17-1/1/2018	70-0289-16134	\$ 100,000 each
Commercial Liability	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2020	100-0330- 0015419	\$ 500,000 each
Law Enforcement Liability	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2020	100-0330- 00015419	\$ 500,000 each
Automotive	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2020	100-0330- 00015419	\$ 500,000 each
Automotive	Houston Specialty Insurance Co.	3/17/2017 - 3/7/2018	HSLR18-00073- 06	Various
Errors and Omissions	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2020	100-0330- 00015419	\$ 500,000 each

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
PUBLIC UTILITY SYSTEM OPERATIONS
DECEMBER 31, 2017
(UNAUDITED)

Statistics on System Operations

- (a) As of **December 31, 2017**, there were 4,955 total metered customers for the water system.
- (b) The following rate schedules were in effect during the fiscal year for water services:

Water:

	<u>Residential and Commercial Inside City</u>	<u>Residential and Commercial Outside City</u>
First 3,000 gallons	\$ 15.44	\$ 30.88
Per additional 1,000 gallons	\$ 2.47	\$ 4.94

- (c) Average monthly billing per residential customer was:

Water, Sewer and Garbage Collection \$ 65.70

- (d) Average monthly billing per commercial customer was:

Water, Sewer and Garbage Collection \$ 154.80

See accompanying independent auditor's report.

Other Reports

ROBERT A. NEILSON

CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

ROBERT A. NEILSON

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

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Bogalusa's basic financial statements and have issued my report thereon dated June 30, 2018.

Internal Control over Financial Reporting:

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-009, and 2017-011 through 2017-013 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-010 and 2017-014 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I 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, I 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 2017-001 through 2017-008.

City of Bogalusa's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Bogalusa, Louisiana
June 30, 2018

ROBERT A. NEILSON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

Report on Compliance for Each Major Federal Program

I have audited City of Bogalusa, Louisiana's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on CFDA No. 20.106 Airport Improvement Program (AIP)

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA No. 20.106 AIP as described in finding number 2017-016 for Period of Performance. Compliance with such requirement is necessary, in my opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CFDA No. 20.106 Airport Improvement Program (AIP)

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the type of compliance requirement referred to above that could have a direct and material effect on CFDA No. 20.106 – Airport Improvement Program for the year ended December 31, 2017.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-015. Our opinion on the major federal program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be a material weakness and a significant deficiency.

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 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-016 to be a material weakness.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-015 to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Bogalusa, Louisiana
June 30, 2018

CITY OF BOGALUSA, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA <u>Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development		
Passed Through Louisiana Office of the Governor		
Community Development Block Grants/State's program		
2013 Water System Grant	14.228	\$ 605,212
Total United States Department of Housing and Urban Development		<u>605,212</u>
United States Department of Justice		
Public Safety Partnership and Community Policing Grants	16.710	76,913
Passed Through the Louisiana Commission on Law Enforcement:		
Violence Against Women Formula Grants	16.588	3,798
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,122
Total United States Department of Justice		<u>81,833</u>
United States Department of Transportation		
Passed Through the Louisiana Department of Transportation:		
Airport Improvement Program	20.106	1,031,039
Passed through the Louisiana Department of Culture, Recreation, and Tourism		
Recreational Trails Program	20.219 ²	56,771
Passed Through the Louisiana Department of Public Safety and Corrections - Louisiana Highway Safety Commission		
Highway Planning and Construction	20.600 ¹	16,350
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	31,738
Total United States Department of Transportation		<u>1,135,898</u>
United States Environmental Protection Agency		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	117,935
Passed Through UNO Research and Technology Foundation, Inc.		
Lake Pontchartrain Basin Restoration Program	66.125	54,650
Total United States Environmental Protection Agency		<u>172,585</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,995,528</u>
Clusters	Cluster Total	
¹ Highway Safety Cluster	\$ 16,350	
² Highway Planning and Construction Cluster	56,771	
See notes to the Schedule of Expenditures of Federal Awards.		

CITY OF BOGALUSA, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Note A – General

The City of Bogalusa's (the City) Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the primary government. All federal financial assistance received directly from federal agencies is included on the schedule, as well as federal financial assistance passed-through other agencies. The City of Bogalusa did not pass through any federal assistance to other entities.

Note B – Basis of Accounting

The City's Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the financial statements for the year ended December 31, 2017.

Note C – Indirect Costs

The City does not have a negotiated indirect cost rate. Also, the City elected to not use the 10% de minimis cost rate as allowed by 2 CFR 200.414 Indirect (F&A) costs.

Note D – Relationship to Financial Statements

The Schedule of Expenditures of Federal Awards (SEFA) was prepared from the same accounting records as were used to prepare the financial statements.

Federal awards are reported on the City's financial statements as follows:

	Governmental Funds	Enterprise Funds	Total
Intergovernmental Revenue	\$ 2,617,030	\$ -	\$ 2,617,030
Less: State and other included in intergovernmental revenue	<u>(621,502)</u>	<u>-</u>	<u>(621,502)</u>
Total on Schedule of Expenditures of Federal Awards	<u>\$ 1,995,528</u>	<u>\$ -</u>	<u>\$ 1,995,528</u>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified for all opinion units presented. Adverse for the reporting entity due to the omission of discretely presented component units

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

Federal Awards

Internal controls over major programs:

- Material weakness (es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ none

Type of auditors’ report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
---------------------	--------------------------------

20.106	Department of Transportation Airport Improvement Program
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- The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.
- The City of Bogalusa did **not** qualify as a low-risk auditee.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section II – Findings Affecting the Financial Statements

Noncompliance with laws, regulations, contracts and grant agreements

2017-001

Underfunded Retirement System

Criteria	State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee's Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, "The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided."
Condition	At June 30, 2017, the City's sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2017 was 17% and the net pension liability was \$22,361,357. This is a repeat finding.
Cause	The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City's budget has been unable to absorb these increases and therefore the increases have gone unfunded.
Effect	The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term.
Recommendation	The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.
Management's Response	The City's Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. Long term solutions to this problem are being developed.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-002

Improper Use of Restricted Funds and Interfund Loans

Criteria

Monies in the G.O. Bond Debt Service Fund #4 are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City.

Condition

In prior periods, the General Fund improperly borrowed from the G.O. Bond Debt Service Fund #4. These funds were partly repaid; however, the net balance of these borrowings is \$313,030 at December 31, 2017. **This is a repeat finding.**

Cause

The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Funds when emergencies were encountered in previous years as a result of disasters.

Effect

Violation of loan agreements, state law and local ordinances

Recommendation

These loans, along with other interfund loans (or due-to-from) that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues.

**Management's
Response**

The City paid off the balance of Sinking Fund #1 in 2017.

According to the City's records, the balance owed to Sinking Fund #4 is \$130,000 rather than \$313,030 as per the audit finding. The city disagrees with the auditor's amount.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-003

Bond Covenants

Criteria	The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds.
Condition	The sinking fund for the Series 2012 bonds had not been established. Additionally, a separate accounting for Water System Operations has not been developed. This is a repeat finding.
Cause	The City's finance staff is not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for such funds. Additionally, this condition may have been attributable to monies transferred to the general fund prior to satisfying the sinking fund requirements.
Effect	Violation of bond covenants.
Recommendation	The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds.
Management's Response	<p>The Sinking Funds were funded through April 2018 to pay the notes. The City plans to work toward funding the accounts in the future.</p> <p>The expenses for the utility system are accounted for separately in the accounting system. The City can begin to account for the revenue separately. The problem is with separating the receivables as they have never been accounted for separately. The City will try to find a solution to the problem.</p>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-004

Violation of the Local Government Budget Act and Negative Fund Balance

Criteria	Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
Condition(s)	Expenditures of the City's General and Landfill funds exceeded the budgeted amount by more than 5%. Additionally, the City's Landfill Fund, the Youth Recreation and Parks Fund and the Street Improvement Sales Tax Fund had a negative fund balances of \$443,45, \$187,160, and \$18,825 respectively at December 31, 2017. This is a repeat finding.
Cause	The budgets are prepared using overly optimistic projections of revenues and expenditures. Expenditures in Landfill, Youth Recreation and Parks, and Street Improvement Sales Tax funds have exceeded revenues in those funds for several of the past years.
Effect:	The negative variance of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2).
Recommendation	The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements.
Management's Response	<p>The landfill expenses are more than what the City receives in revenue. The budget expenses are prepared based on what is collected in revenue and the remainder is owed to the landfill. The City is working with the Parish to find a solution for this.</p> <p>Youth Recreation and Parks does not bring in enough revenue to cover the expenditures. The City hoped to transfer funds from the General Fund to cover the deficit; however, was unable to do so. The City will look into correcting this issue.</p> <p>The deficit in Street Improvement Sales Tax Fund should be eliminated in 2018.</p>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-005

Noncompliance with the Retirement System's Investment Policy

Criteria	The City of Bogalusa Employees' Retirement System Statement of Investment Policies & Objectives was adopted by the Board of Trustees to serve as the official policy regarding the investment policy and practices for the System. The policy lists permissible investment equities as domestic common stocks, convertible bonds, preferred stocks, and REITS.
Condition	The City of Bogalusa Employees' Retirement System invested in foreign common stock during the audit period. This is a repeat finding.
Cause	The investment market is now more global, but the policy may be outdated.
Effect	Violation of the Retirement System's investment policies.
Recommendation	The System should trade these holdings for a permissible investment or amend its investment policy.
Management's Response	The COBERs board changed the investment policy to allow investments in foreign stocks in 2018.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-006

Choctaw Road Landfill Deficit

Criteria:	Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City.
Condition:	It was noted during my audit that the City owes the landfill \$2,104,465; All of which is non-current. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of \$366,088 in 2017, while the City's share of the costs to operate the Landfill were approximately \$442,000. This is a repeat finding.
Cause:	From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs.
Effect:	If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future.
Recommendation	I strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.
Management's Response	The economic and sociological makeup of the City and Parish have changed over the past years resulting in less ad valorem taxes collected by the City to cover the costs associated with the landfill. Despite these changes, the responsibilities for each party have not changed. The City and Parish are exploring options for how to handle this lack of funding.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-007

Incorrect Calculation of Termination Pay for Firefighters and Police Officers

Criteria	State of Louisiana AG Opinion 07-0123 states that Louisiana Revised Statute 33:2218.4 requires that state supplemental pay must be included in the calculation of accrued annual and sick leave an officer or firefighter is entitled to upon termination.
Condition	The City has not included the state supplemental in the calculation of wages paid firefighters and police for compensated absences at the time of termination.
Cause	Incorrect calculation of wage rate at the time of termination due to lack of knowledge of state law.
Effect	The City has potentially shorted all police and firefighter employees that have left the employment of the city since the time of the AG decision, June 14, 2007.
Recommendations	The City should include the state supplemental pay in the calculation of compensated absences paid to fire and police employees.
Management's Response	<p>The City was not aware that supplemental pay needed to be included in the calculation,</p> <p>The City will correct this error for all future payments and will look into the amounts owed to former firefighters and police officers.</p>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-008

Incorrect Treatment of Old Outstanding Checks

Criteria	Louisiana Revised Statutes 9:151 <i>et seq.</i> requires that outstanding checks be sent to the Louisiana State Treasurer as unclaimed property if they are outstanding after a certain time period based on the type of check.
Condition	The City's policy is to void outstanding checks older than six months instead of researching why the checks have not been cashed or sending these unclaimed funds to the State Treasurer in accordance with the statute.
Cause	The City's policy of voiding old outstanding items is not in agreement with state law.
Effect	The City is not compliant with Louisiana Revised Statutes 9:151 <i>et seq.</i>
Recommendation	The City should change its procedure and research outstanding checks to determine if a replacement check to the payee is necessary or send in the unclaimed amounts to the State Treasurer according to the Treasurer's holding periods.
Management's Response	The City will work to become compliant with the statute in 2018.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Internal Control Matters

2017-009

Reconciliation of Accounts Receivable

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Timely reconciliation of accounts receivable to subsidiary ledgers (aging reports) helps accomplish this objective.
Condition	Utility System accounts receivable per the general ledger are not being reconciled to subsidiary billing ledgers on an ongoing basis. Also, the City's current accounting process does not allow for the ongoing recording of utility bill adjustments into the general ledger (accounting records). This is a repeat finding.
Cause	Conversions to new accounting and billing systems.
Effect	The revenue, expenditures, fund equities and net position reported in financial statements of the utility fund could be misstated.
Recommendation	The City's staff should receive training on the new systems and should reconcile the accounts on a monthly basis. Discrepancies should be investigated and resolved. Also, billing adjustments should be recorded on an ongoing basis and accounts receivable should reconcile the billing system monthly.
Management's Response	The City did not have the funds in 2017 to purchase the software we were researching to facilitate the reconciliation process; however, we are still exploring this option. In the meantime, accounting personnel are working with the current utility billing company to find a way to reconcile the various reports to the City's records.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-010

Internal financial reporting

Criteria: Financial reports provided to the mayor and the council should be complete and accurate, yet concise and straightforward enough to allow for appropriate monitoring of financial condition and decision making.

Condition: The City's internal and monthly financial reporting process did not allow for sufficient monitoring and decision making by the mayor and council. **This is a repeat finding.**

Effect: Decisions are being made without complete information.

Cause: The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition (fund balance). As a result, the reports generated by the administrative staff are insufficient for proper decision-making.

Recommendation: Monthly financial reports should include revenues and expenditures compared to budget for all major funds of the City as well as the existing fund balance. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.

Management's Response: We believe that the accounting software issues have been resolved. However, the accounting department has been behind on getting the financial statements completed every month. However, statements were provided to the Mayor and Council throughout the year as they were completed, although not monthly. We are hopeful that we will get caught up with the work and be able to provide them more timely.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-011

Capital Asset Records

Criteria

Capital Asset records should be maintained in accordance LA Revised State 24:515. Capital Asset system should capture information such as tagging numbers or identifying numbers, serial numbers, funding source, department, cost and dates of purchase.

Condition

Capital Asset accounting records do not contain tagging or serial numbers or funding source. Additionally, the records are updated only once per year through a manual process lacking efficiency and automation. Donated assets are not formally tracked and added to the records. One such donated asset is the building that houses the local charter school; however, the City has not obtained an appraisal on this building in order to record the transaction on the financial statements. **This is a repeat finding.**

Cause

Outdated accounting systems and processes.

Effect

Without a centralized and automated process, assets may go unaccounted for.

Recommendation

The City should centralize and automate its capital asset records and include all identifying information and donated assets. In addition, the City should obtain an appraisal on the donated building and record the appraised value on the financial statements.

**Management's
Response**

The City should centralize and automate its capital asset records and include all identifying information and donated assets. In addition, the City should obtain an appraisal on the donated building and record the appraised value on the financial statements.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-012

Lease Revenue Not Being Collected

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Adopted policies and procedures to track monthly amounts due, preparing and sending billings or notices of the balance due and following up with collections helps accomplish this objective.
Condition	The City entered into a long term lease agreement with a tenant for a property located within its Industrial Complex. The monthly lease due is \$3,000. The tenant on this lease paid \$16,000 of the \$36,000 annual lease due leaving an unpaid balance of \$20,000 for 2017; however, the amount owed for prior years was \$40,000 with a combined total owed of \$60,000. This is a repeat finding.
Cause	The tenant is not paying the amounts due according to the terms of the lease agreement.
Effect	The City is not collecting the amount of the lease due according to the terms of the lease agreement.
Recommendation	The City should implement policies and procedures to require tenants leasing buildings in the industrial complex to pay all amounts due according to the lease agreements. Monthly invoices or statements should be sent to tenants who don't pay by the due date of the lease to remind them of the amount due each month. Further, the City should consult with its legal advisor to determine what other options are available to collect the lease revenue due.
Management's Response:	The City is aware of the balance due on this lease and will work with the tenant to receive the funds owed.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-013

Airport Grant Projects Not Being Billed Timely and Collected

Criteria	The City should have policies and procedures in place including internal controls over the timely request for reimbursements on Airport grant projects from federal and state agencies.
Condition	The City has several federal and state grants that fund projects at the City's Airport. Costs paid by the City are reimbursed under these grant agreements if the cost meets the criteria of the grant agreement to be reimbursed. Costs that are not reimbursed are paid by the General Fund. The City is not preparing timely requests for reimbursements for these costs or reconciling the cost incurred to a grant reimbursement request. The City recorded a total receivable as of December 31, 2017 on the Airport projects of \$536,565 representing \$351,404 due from the Federal Government and \$185,160 due from the State of Louisiana. This is a repeat finding.
Cause	City personnel not processing the reimbursement request timely and reconciling to costs incurred in the general ledger.
Effect	Lack of timely requesting reimbursements for cost incurred on the Airport projects could result in grant eligible costs being borne from the general fund or the ability to request the reimbursement on the grant may expire.
Recommendation	The City should implement policies and procedure and designate personnel to be responsible for the timely requesting of reimbursement of grant amounts from federal and state agencies on airport projects. The documentation on these requests for reimbursement should be forwarded to the accounting department so the transactions can be recorded in the general ledger.
Management's Response:	We believed that the request for reimbursement were being submitted in a timely manner in 2017. We will look into ensuring that this issue is corrected in 2018.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

2017-014

Timely Reconciliations of Cash Accounts

Criteria	A key internal control over cash is the timely reconciliations of book balances to the bank statement balances. This process is necessary to make sure transactions recorded in the accounting records match the transactions recorded on the bank statement and the bank notified timely if questionable transactions are identified. The City should have policies and procedures in place including internal controls to ensure that cash is reconciled timely and correctly.
Condition	The City's bank reconciliations for the General Fund and Utility Fund accounts for December 31, 2017 were not reconciled correctly until May of 2018. It was also noted that the Utility Fund was not reconciled for the months of February thru August of 2017.
Cause	The City's personnel did not properly reconcile the bank accounts during 2017.
Effect	City management may not have the complete financial information to base decisions on if cash is not correctly stated. Timely reconciliations is a means to detect inappropriate activity and to also ensure all transactions are recorded.
Recommendation	The City should develop a process and procedure to ensure that cash is reconciled timely and correctly.
Management's Response:	The City disagrees with this finding. All bank accounts were reconciled monthly in the same manner as they have been reconciled for over 20 years. Our computer system now has the ability to prepare bank reconciliation. The Director of Administration was working on doing the reconciliations in the actual computer system and did not get them completed until May because she had other items to address and worked on them as time allowed. However, they were reconciled in the prior manner, so there was no time urgency on getting them completed in the computer. They are all reconciled in the prior manner and in the computer system through May 2018.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section III – Federal Award Findings and Questioned Costs

<u>2017-015</u>	Reporting	Questioned Costs: None
20.106	Department of Transportation	
Criteria	The Airport Improvement Program, CFDA 20.106, requires that the SF-425, Federal Financial Report, be filed on an annual basis.	
Condition	The City has failed to file this report for the program year 2016 and 2017.	
Cause	The City did not file the required report.	
Effect	The City is not in compliance with the Grant Reporting Requirements.	
Recommendation	The City should complete and file the required reports. In addition, the City should develop policies and procedures to ensure the required report is filed timely and correctly for each program year.	
Management's Response	The City is working on completing all of the required reports. We are hopeful that this error will not occur again.	

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

<u>2017-016</u>	Period of Performance	Questioned Costs: \$99,812
20.106	Department of Transportation	
Criteria	The Period of Performance compliance requirement is applicable to the Airport Improvement Program, CFDA 20.106. This compliance requirement specifies that expenditures reimbursed under the grant be incurred within the funding period specified in the Grant Agreement.	
Condition	The City was unable to provide the documentation demonstrating that two out of the 13 transactions selected in my sample was for costs incurred within the period of performance of the grant award. These two transactions identify cost incurred in a prior year and paid with the most recent grant agreement.	
Cause	The City was unable to produce the requested documentation.	
Effect	Unable to substantiate the City's compliance with federal grant requirements.	
Recommendation	The City should develop policies and procedures to include that documentation is required to demonstrate that costs incurred under this federal award was within the period of performance of the grant.	
Management's Response	The City was unable to locate the documentation requested for the 2 transactions. We will work to ensure that all documentation is maintained in a more organized manner.	

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

Noncompliance with laws, regulations, contracts and grant agreements

2016-001

Underfunded Retirement System

Criteria

State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee's Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, "The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided."

Condition

At June 30, 2016, the City's sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2016 was 17% and the net pension liability was \$24,254,053. **This is a repeat finding.**

Also, the City owes the retirement system for ad valorem taxes that were deposited in the general fund checking account.

Cause

The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City's budget has been unable to absorb these increases and therefore the increases have gone unfunded.

Effect

The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term.

Recommendation

The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.

In addition, the City should pay the retirement system the ad valorem taxes held in its general fund checking account.

Management's
Response

The City's Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. Long term solutions to this problem are being developed.

The City will make a plan to repay the retirement system the ad valorem taxes owed.

Current Status

The City's Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. The City had an election in April for an advalorem tax to fund the pension; however, it did not pass. The administration is still looking into long-term solutions for the problem.

The City repaid the retirement system the ad valorem taxes owed in 2017.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-002

Improper Use of Restricted Funds and Interfund Loans

Criteria	Monies in the G.O. Bond Debt Service Fund #1 and the G.O. Bond Debt Service Fund #4 are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City. Monies dedicated for use within the City's Industrial Complex are held in a separate account and fund (the Industrial Complex Sales Tax Fund) and their use is restricted according to voter proposition to Industrial Complex Activities.
Condition	In prior periods, the General Fund improperly borrowed from the Debt Service Funds and the Industrial Complex Sales Tax Fund. These funds were partly repaid in 2016; however, the net balance of these borrowings for each fund is \$108,599, \$260,057, and \$88,731, respectively. This is a repeat finding.
Cause	The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Funds when emergencies were encountered in previous years as a result of disasters. The borrowings from the Industrial Complex Sales Tax Fund were a result of capital projects undertaken by the City without consideration to an appropriate means of financing for those projects.
Effect	Violation of loan agreements, state law and local ordinances
Recommendation	These loans, along with other interfund loans (or due-to-from) that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues.
Management's Response	<p>The City paid off the balance of Sinking Fund #1 in 2017.</p> <p>According to the City's records, the balance owed to Sinking Fund #4 is \$130,000 rather than \$260,057 as per the audit finding. The city accounting personnel are researching this issue.</p> <p>The City does not believe the General Fund owes \$88,731 to the Industrial Complex Sales Tax Fund. The City has disagreed with this finding since it first occurred in 2014.</p>
Current Status	<p>The City paid off the balance of Sinking Fund #1 in 2017.</p> <p>According to the City's records, the balance owed to Sinking Fund #4 is \$130,000 rather than \$260,057 as per the audit finding. The City disagrees with the auditor's amount.</p> <p>The City does not believe the General Fund owes \$88,731 to the Industrial Complex Sales Tax Fund. The City has disagreed with this finding since it first occurred in 2014.</p>

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-003

Bond Covenants

Criteria	The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds.
Condition	The sinking fund for the Series 2012 bonds had not been established. Additionally, a separate accounting for Water System Operations has not been developed. This is a repeat finding.
Cause	The City's finance staff is not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for such funds. Additionally, this condition may have been attributable to monies transferred to the general fund prior to satisfying the sinking fund requirements.
Effect	Violation of bond covenants.
Recommendation	The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds.
Management's Response	<p>The Sinking Funds were funded through April 2017. The City plans to continue funding the accounts in the future.</p> <p>The expenses for the utility system are accounted for separately in the accounting system. The City can begin to account for the revenue separately. The problem is with separating the receivables as they have never been accounted for separately. The City will try to find a solution to the problem, and hopefully, will be able to account for everything separately in 2017.</p>
Current Status	<p>The Sinking Funds were funded through April 2018 to pay the notes.</p> <p>The expenses for the utility system are accounted for separately in the accounting system. The City can begin to account for the revenue separately. The problem is with separating the receivables as they have never been accounted for separately. The City will try to find a solution to the problem, and hopefully, will be able to account for everything separately in 2018.</p>

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

<u>2016-004</u>	Violation of the Local Government Budget Act and Negative Fund Balance
Criteria	Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
Condition(s)	Expenditures of the City's Landfill fund exceeded the budgeted amount by more than 5%. Additionally, the City's Landfill Fund and the Youth Recreation and Parks Fund had a negative fund balance of \$367,507 and \$136,346, respectively at December 31, 2016. This is a repeat finding.
Cause	The budgets are prepared using overly optimistic projections of revenues and expenditures. Progress was made toward eliminating the negative fund balance in 2016 as evidenced through an operating surplus, but much more progress is needed.
Effect:	The negative variance of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2).
Recommendation	The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements.
Management's Response	<p>The landfill expenses are more than what the City receives in revenue. The budget expenses are prepared based on what is collected in revenue and the remainder is owed to the landfill. The City is working with the Parish to find a solution for this.</p> <p>The City hoped to transfer funds from the General Fund to cover the deficit in the Youth Recreation and Parks Fund by December 31, 2016. However, it was unable to do so. This should be corrected in 2017.</p>
Current Status	<p>The landfill expenses are more than what the City receives in revenue. The budget expenses are prepared based on what is collected in revenue and the remainder is owed to the landfill. The City is working with the Parish to find a solution for this.</p> <p>The City hoped to transfer funds from the General Fund to cover the deficit in the Youth Recreation and Parks Fund by December 31, 2017. However, it was unable to do so.</p>

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-005

Noncompliance with the Retirement System's Investment Policy

Criteria	The City of Bogalusa Employees' Retirement System Statement of Investment Policies & Objectives was adopted by the Board of Trustees to serve as the official policy regarding the investment policy and practices for the System. The policy lists permissible investment equities as domestic common stocks, convertible bonds, preferred stocks, and REITS.
Condition	The City of Bogalusa Employees' Retirement System invested in foreign common stock during the audit period. This is a repeat finding.
Cause	The investment market is now more global, but the policy may be outdated.
Effect	Violation of the Retirement System's investment policies.
Recommendation	The System should trade these holdings for a permissible investment or amend its investment policy.
Management's Response	The City's investment advisors for the retirement plan assured the COBERS board that they would eliminate the investments in the foreign stocks. We will work with them to either eliminate these investments or revise the policy to allow the investments.
Current Status	The COBERS board changed the investment policy to allow the investments in foreign stocks in 2018.

2016-006

Choctaw Road Landfill Deficit

Criteria:	Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City.
Condition:	It was noted during my audit that the City owes the landfill \$1,872,382; \$712,148 of which is non-current. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of approximately \$357,438 in 2016, while the City's share of the costs to operate the Landfill were approximately \$950,000. This is a repeat finding.
Cause:	From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs.
Effect:	If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-006

Choctaw Road Landfill Deficit (continued)

Recommendation I strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response The economic and sociological makeup of the City and Parish have changed over the past years resulting in less ad valorem taxes collected by the City to cover the costs associated with the landfill. Despite these changes, the responsibilities for each party have not changed. The City and Parish are exploring options for how to handle this lack of funding.

Current Status The economic and sociological makeup of the City and Parish have changed over the past years resulting in less ad valorem taxes collected by the City to cover the costs associated with the landfill. Despite these changes, the responsibilities for each party have not changed. The City and Parish are exploring options for how to handle this lack of funding.

2016-007

Violation of the Louisiana Public Bid Law and Disposal of Surplus Property

Criteria Louisiana Revised Statute 38:2212.1(A)(1)(b) requires that all purchases of any materials or supplies exceeding the sum of \$10,000 or more, but less than \$30,000, shall be made by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. Louisiana Revised Statute 49:125 requires certain steps to be followed to dispose of surplus moveable property including declaring the property as surplus, establishing a fair market price and advertising the property for sale through a bid process or auction.

Condition(s) It was noted during the audit that the City made two separate purchases of firearms from the same vendor, both of which exceeded \$10,000. The City failed to obtain telephone or facsimile quotations prior to entering into the transactions. Additionally, the City also sold firearms to the vendor without declaring them surplus or advertising them for sale.

Cause The City believed incorrectly that since the net transaction between the purchase of the new firearms and the sale of the owned firearms to the vendor was below the \$10,000 threshold.

Effect: Failing to obtain telephone or facsimile quotes is in violation of Louisiana Revised Statute 38:2212.1(A)(1)(b).

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-007

Violation of the Louisiana Public Bid Law and Disposal of Surplus Property (continue)

Recommendation	The City should review purchasing policies and ensure that transactions are properly processed and compliant with Louisiana bid law requirements. The City should also review its procedures for selling property to ensure they are correctly declaring the property surplus prior to initiating sale procedures.
Management's Response	The City follows the purchasing laws required by the state. We were not aware that the purchase and the credit should be considered separate transactions resulting in the purchase being over the threshold. In addition, we did not realize that the guns had to be declared surplus property. These mistakes will not happen in the future.
Current Status	The City follows the purchasing laws required by the state. We were not aware that the purchase and the credit should be considered separate transactions resulting in the purchase being over the threshold. In addition, we did not realize that the guns had to be declared surplus property. These mistakes will not happen in the future.

Internal Control Matters

2016-008

Reconciliation of Accounts Receivable

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Timely reconciliation of accounts receivable to subsidiary ledgers (aging reports) helps accomplish this objective.
Condition	Utility System accounts receivable per the general ledger are not being reconciled to subsidiary billing ledgers on an ongoing basis. Also, the City's current accounting process does not allow for the ongoing recording of utility bill adjustments into the general ledger (accounting records). This is a repeat finding.
Cause	Conversions to new accounting and billing systems.
Effect	The revenue, expenditures, fund equities and net position reported in financial statements of the utility fund could be misstated.
Recommendation	The City's staff should receive training on the new systems and should reconcile the accounts on a monthly basis. Discrepancies should be investigated and resolved. Also, billing adjustments should be recorded on an ongoing basis and accounts receivable should reconcile the billing system monthly.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

Internal Control Matters (continued)

2016-008

Reconciliation of Accounts Receivable (continued)

Management's
Response

The City did not have the funds in 2016 to purchase the software we were researching to facilitate the reconciliation process; however, we are still exploring this option. In the meantime, the Director of Administration is working with the current utility billing company to find a way to reconcile the various reports to the City's records.

Current Status

The City did not have the funds in 2017 to purchase the software we were researching to facilitate the reconciliation process; however, we are still exploring this option. In the meantime, the Director of Administration is working with the current utility billing company to find a way to reconcile the various reports to the City's records.

2016-009

Internal financial reporting

Criteria:

Financial reports provided to the mayor and the council should be complete and accurate, yet concise and straightforward enough to allow for appropriate monitoring of financial condition and decision making.

Condition:

The City's internal and monthly financial reporting process did not allow for sufficient monitoring and decision making by the mayor and council.
This is a repeat finding.

Effect:

Decisions are being made without complete information.

Cause:

The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition (fund balance). As a result, the reports generated by the administrative staff are insufficient for proper decision-making.

Recommendation:

Monthly financial reports should include revenues and expenditures compared to budget for all major funds of the City as well as the existing fund balance. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.

Management's
Response:

We believe that the accounting software issues have been resolved. Financial statements are being provided to the mayor and council on a monthly basis.

Current Status

We believe that the accounting software issues have been resolved. However, the accounting department has been behind on getting the financial statements completed every month. However, statements were provided to the Mayor and Council throughout the year as they were completed, although not monthly. We are hopeful that we will get caught up with the work and be able to provide them more timely.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-010

Capital Asset Records

Criteria	Capital Asset records should be maintained in accordance LA Revised State 24:515. Capital Asset system should capture information such as tagging numbers or identifying numbers, serial numbers, funding source, department, cost and dates of purchase.
Condition	Capital Asset accounting records do not contain tagging or serial numbers or funding source. Additionally, the records are updated only once per year through a manual process lacking efficiency and automation. Donated assets are not formally tracked and added to the records. One such donated asset is the building that houses the local charter school; however, documentation was not available to make a final determination if this building's title was transferred to the City. This is a repeat finding.
Cause	Outdated accounting systems and processes.
Effect	Without a centralized and automated process, assets may go unaccounted for.
Recommendation	The City should centralize and automate its capital asset records and include all identifying information and donated assets.
Management's Response	The City has incorporated the current fixed assets into the financial accounting system. We will begin to use the software and work on including all the identifying information.
Current Status	The City has incorporated the current fixed assets into the financial accounting system. We will begin to use the software and work on including all the identifying information.

2016-011

Lease Revenue Not Being Collected

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Adopted policies and procedures to track monthly amounts due, preparing and sending billings or notices of the balance due and following up with collections helps accomplish this objective.
Condition	The City entered into a long term lease agreement with a tenant for a property located within its Industrial Complex. The monthly lease due is \$3,000. The tenant on this lease paid \$20,000 of the \$36,000 annual lease due leaving an unpaid balance of \$16,000 for 2016; however, the amount owed for 2015 was \$24,000 with a combined total owed of \$40,000. This is a repeat finding.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-011

Lease Revenue Not Being Collected (continued)

Cause	The tenant is not paying the amounts due according to the terms of the lease agreement.
Effect	The City is not collecting the amount of the lease due according to the terms of the lease agreement.
Recommendation	The City should implement policies and procedures to require tenants leasing buildings in the industrial complex to pay all amounts due according to the lease agreements. Monthly invoices or statements should be sent to tenants who don't pay by the due date of the lease to remind them of the amount due each month. Further, the City should consult with its legal advisor to determine what other options are available to collect the lease revenue due.
Management's Response:	The City is aware of the balance due on this lease and will work with the tenant to receive the funds owed.
Current Status	The City is aware of the balance due on this lease and will work with the tenant to receive the funds owed.

2016-012

Airport Grant Projects Not Being Billed Timely and Collected

Criteria	The City should have policies and procedures in place including internal controls over the timely request for reimbursements on Airport grant projects from federal and state agencies.
Condition	The City has several federal and state grants that fund projects at the City's Airport. Costs paid by the City are reimbursed under these grant agreements if the cost meets the criteria of the grant agreement to be reimbursed. Costs that are not reimbursed are paid by the General Fund. The City is not preparing timely requests for reimbursements for these costs or reconciling the cost incurred to a grant reimbursement request. This is a repeat finding.
Cause	City personnel not processing the reimbursement request timely and reconciling to costs incurred in the general ledger.
Effect	Lack of timely requesting reimbursements for cost incurred on the Airport projects could result in grant eligible costs being borne from the general fund or the ability to request the reimbursement on the grant may expire.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2017

2016-012

Airport Grant Projects Not Being Billed Timely and Collected (continued)

Recommendation The City should implement policies and procedure and designate personnel to be responsible for the timely requesting of reimbursement of grant amounts from federal and state agencies on airport projects. The documentation on these requests for reimbursement should be forwarded to the accounting department so the transactions can be recorded in the general ledger.

Management's Response: We believed that the request for reimbursement were being submitted in a timely manner in 2016. We will look into ensuring that this issue is corrected in 2017.

Current Status We believe that the request for reimbursement were being submitted in a timely manner in 2017.

Section III – Federal Award Findings and Questioned Costs

None

CITY OF BOGALUSA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2017

ROBERT A. NEILSON
CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Council of
The City of Bogalusa
And the Louisiana Legislative Auditor

I have performed the procedures enumerated below, which were agreed to by The City of Bogalusa (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure. If the item being subjected to the procedures is positively identified or present, then the results will read "no exception noted". If not, then a description of the exception ensues.

Written Policies and Procedures

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

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

I performed the procedures above and noted no exceptions.

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

Written Policies and Procedures (continued)

I performed the procedures above and noted the following exceptions:

- **No written policies over (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, and, (5) documentation required to be maintained for all bids and price quotes.**

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

I performed the procedures above and noted no exceptions.

d) ***Receipts***, including receiving, recording, and preparing deposits.

I performed the procedures above and noted no exceptions.

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

I performed the procedures above and noted no exceptions.

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

I performed the procedures above and noted the following exceptions:

- **There are no written policies related to (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.**

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

I performed the procedures above and noted the following exceptions:

- **There are no written policies related to (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.**

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

I performed the procedures above and noted the following exceptions:

- **There are no written policies related to (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers**

Written Policies and Procedures (continued)

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

I performed the procedures above and noted the following exceptions:

- There are no written policies regarding: (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

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

I performed the procedures above and noted the following exceptions:

- There are no written policies regarding: (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Management Response: The City has an outdated accounting procedure manual. The Director of Administration will work on updating all policy and procedures to include the items above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

For purposes of this procedure, I considered the frequency of Board Meetings to be in accordance with the City Charter Section 2-09.A, which states that "The Council shall meet regularly at least every other week at such times and places as the council may prescribe by resolution." I performed the procedures above and noted the following exceptions:

- 2 Meetings not held because a quorum was not present
- 5 Meetings held later than mandated in Section 2-09.A.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes showed that the City discussed a budget-to-actual comparison on the General Fund and other major funds, noting 10 of 12 months were exceptions. There were no discussions about the budget-to-actual results nor was there a mention about whether they

Board (or Finance Committee, if applicable) (continued)

were operating at a surplus or deficit. When the budget-to-actual was discussed in October, the City was operating at a surplus.

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

I performed the procedures above and noted no exceptions.

Management Response: The City Council meets on the 1st and 3rd Tuesday of every month. Meetings have been cancelled due to no quorum; however, it does not happen frequently. The City will work on providing budget-to-actual financials more often.

Bank Reconciliations

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

I performed the procedures above and noted no exceptions.

4. Using the listing provided by management, select all of the Entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

I performed the procedures above and noted the following exceptions:

- **Bank Reconciliations were not prepared for 12 out of the 144 reconciliations tested.**

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

I performed the procedures above and noted the following exceptions:

- **Evidence of review was not present for 38 of the 144 bank reconciliations tested.**

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

I performed the procedures above and noted the following exceptions:

- **9 of 144 bank reconciliations had outstanding items greater than 6 months, for which there was no documentation of research.**

Management Response: Bank reconciliations were prepared for all the bank accounts for the entire year. In some instances, the bank reconciliations may have had a more than one month reconciled in one reconciliation; however, it was reconciled.

The City currently has two accountants and the Director of Administration that works on the bank reconciliations. One of the accountants is in training as the other accountant will be retiring. The accountant that is retiring prepared all bank reconciliations manually on paper for the entire year. In

Bank Reconciliations (continued)

addition, either the accountant in training or the Director of Administration prepared the bank reconciliations in the computer system for the year. All bank reconciliations were reviewed or prepared by the Director of Administration. The problem was that she did not sign off on the reconciliations. She will begin doing so for 2018.

The City will begin to research items that are outstanding for six months.

Collections

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

I performed the procedures above and noted no exceptions.

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

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

I performed the above procedure for the two cash collection locations utilized by the City. I noted the following exceptions:

- **No written documentation stating that (2) the person responsible for depositing the cash in the bank, (3) not required to share the same cash register or drawer is outdated and is no longer followed.**
- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash location selected.

I performed the procedure above and noted no exceptions.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using Entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day.

Collections (continued)

I performed the procedure above and noted the following exception:

- **Of the 122 items tested, I noted 8 exceptions. 1 deposit was made in days of collection and 7 collections had no documentation of the date when the money was received.**
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

I performed the procedure above and noted the following exception:

- **Of the 122 items tested, 1 daily cash collection was not supported by documentation verifying completeness.**

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Entity has a process specifically defined (identified as such by the Entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

I performed the procedure above and noted the following exception:

- **The Accounting Procedures Manual provided hasn't been updated in 3 years and is outdated. There are no written policies in place outlining the procedures that are actually used to process cash collections.**

Management Response: The City has an outdated accounting procedure manual. The Director of Administration will work on updating all policy and procedures to include the items above. However, the City does have an unwritten policy that employees cannot share registers or drawers. All deposits should be made within one working day of collections and should have the documentation.

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

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

I performed the procedure above and noted no exceptions.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

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

I performed the procedure above and noted the following exceptions:

- **12 of the 25 disbursements tested were not initiated using a requisition or purchase order system**
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

I performed the procedure above and noted the following exceptions:

- **12 of the 25 disbursements tested were not approved at all or by a person other than the initiator of the purchase.**
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order (P.O.), or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

I performed the procedure above and noted the following exceptions:

- **12 of the 25 disbursements tested did not have a receiving report or receipt of good purchased or an approved invoice.**
10. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Entity's purchasing/disbursement system.

I performed the procedure above and noted the following exception:

- **Written policies and procedures are out of date and are not applicable to the current operating environment. Furthermore, discussion with an A/P Clerk revealed that they are able to and have created clients as a vendor in the past.**
11. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

I performed the procedure above and noted the following exception:

- **Written policies and procedures are out of date and are not applicable to the current operating environment. Furthermore, all individuals in the department are able to create requisitions but checks require dual signatures in order to clear the bank.**
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

I performed the procedure above and noted the following exception:

- **The check stock is kept in an unlocked cabinet.**

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

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

I performed the above procedure and noted the following exception:

- **The checks are held by the A/P clerk until mailed.**

Management Response: Many of the exceptions were for services/repairs after hours. The department supervisors have the authority to make purchases for these types of situations due to the fact that we only have one purchasing agent that is not available 24/7. The requisitions are prepared but the PO is not actually input into the computer until the purchasing agent is available. This also applies to supplies for the jail. The PO for these cannot be done until the order is made because the price is not known prior to ordering. This is the only way it can be done in our financial software.

We will look into getting a locked cabinet to hold the checks.

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

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

I performed the procedure above and noted no exceptions.

15. Using the listing prepared by management, randomly select ten cards (or at least one-third if the Entity has less than ten cards that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

I performed the procedure above and noted the following exceptions:

- **10 of the 10 credit card statements did not have evidence of managerial review.**
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

I performed the procedure above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

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

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

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

I performed the procedure above and noted the following exceptions:

- **5 of the 32 expenses did not have an original itemized receipt for the transaction.**

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

I performed the procedure above and noted the following exceptions:

- **30 of the 32 expenses did not have a documented business purpose for the transaction.**

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

I performed the above procedure and noted no exceptions.

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

I performed the procedure above and noted the following exceptions:

- **5 of the 32 expenses did not have supporting documentation for the expense and, therefore, I was not able to determine the applicability of Louisiana Public Bid Law.**

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

I performed the procedure above and noted the following exceptions:

- **30 of the 32 expenses did not have a documented business purpose for the transaction and, therefore, I was unable to determine their coherence to Article 7, Section 14.**

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

Management Response: The Director of Administration will work on updating all policy and procedures to include the items above. We will also be more mindful of documenting information on the receipts/invoices.

Travel and Expense Reimbursement

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted no exceptions.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Entity does not have written policies, compare to the PPM 49 rates (#18 above) and report each reimbursement that exceeded those rates.

I performed the procedure above and noted the following exception:

- 1 of the 3 reimbursements tested was reimbursed at a rate that did not agree with rates as set forth by the GSA and the City does not have written policies and procedures.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

I performed the procedure above and noted the following exception:

- 1 of the 3 reimbursements tested did not have supporting documentation for per diem, parking and mileage.

Travel and Expense Reimbursement (continued)

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted no exceptions.

Management Response: The City has an outdated accounting procedure manual. The Director of Administration will work on updating all policy and procedures to include the items above.

Contracts

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

I performed the procedure above and noted no exceptions.

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

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

I performed the procedure above and noted no exceptions.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder). *Not applicable.*
- If no, obtain supporting contract documentation and report whether the Entity solicited quotes as a best practice.

I performed the procedure above and noted the following exceptions:

- 3 of the 5 contracts selected were not subject to bid law. In procurement of these contracts, the City did not solicit quotes.

Contracts (continued)

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

I performed the procedure above and noted no exceptions.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

I performed the procedure above and noted no exceptions.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

I performed the procedure above and noted no exceptions.

Management Response: The City follows the Louisiana Public Bid Law or Procurement Code for all purchases.

Payroll and Personnel

22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

I performed the procedure above and noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

I performed the procedure above and noted no exceptions.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees and:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted no exceptions.

Payroll and Personnel (continued)

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted the following exceptions:

- 4 of the 92 payroll tax remittance samples selected were not remitted within the required deadlines.
- 1 of the 48 pension plan remittance samples selected was not remitted timely.

Management Response: The City generally submits all taxes and retirement contributions by the required deadlines. However, there are instances where mistakes may occur. The City will continue submitting payments and forms in a timely manner.

Ethics

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted no exceptions.

Management Response: None required

Debt Service

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted the following exception:

- **A sinking fund for one of the Entity's bonds has not been established as required by the bond covenant.**

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

I performed the procedure above and noted no exceptions.

Management Response: The Sinking Funds were funded through April 2018 to pay the notes.

Other

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

I performed the procedure above and noted no exceptions.

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

I performed the procedure above and noted the following exception:

- **No notice posted on the Entity's website.**

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

I performed the procedure above and noted no exceptions.

Management Response: The City will take steps to add the notice required by R.S. 24:523.1 to the City's website.

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

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

Sincerely,

A handwritten signature in cursive script, reading "Robert A. Neilson".

Robert A. Neilson, CPA
Bogalusa, Louisiana
June 30, 2018