

CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2020

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Henry C. Cotton, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedules; the schedule of proportionate share of net pension liability; the schedule of contributions; and the schedule of changes in total OPEB liability and related ratios 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of mayor's and alderman's compensation and the schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of mayor's and aldermen's compensation and the schedule of compensation, benefits, and other payments to agency head are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of mayor's and aldermen's compensation and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

February 4, 2021

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

CITY OF BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2020

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to provide readers with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the City's distinct activities or functions on revenues provided by the citizenry of the City.

The government-wide financial statements report governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general administrative services, public safety, public works, sanitation, and public improvements.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the City are governmental funds that are used to account for all of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

In addition to the basic financial statements, the City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the City's governmental activities as of June 30:

	<u>2020</u>	<u>2019</u>
Other assets	\$ 14,753	\$ 13,399
Capital assets, net of depreciation	<u>11,064</u>	<u>11,530</u>
Total assets	<u>\$ 25,817</u>	<u>\$ 24,929</u>
Deferred outflows of resources	<u>\$ 2,166</u>	<u>\$ 2,494</u>
Other liabilities	\$ 784	\$ 462
Long-term liabilities	<u>33,437</u>	<u>33,583</u>
Total liabilities	<u>\$ 34,221</u>	<u>\$ 34,045</u>
Deferred inflows of resources	<u>\$ 941</u>	<u>\$ 730</u>
Net position:		
Invested in capital assets, net of related debt	\$ 11,064	\$ 11,002
Restricted	8,684	8,223
Unrestricted (deficit)	<u>(26,927)</u>	<u>(26,577)</u>
Total net position (deficit)	<u>\$(7,179)</u>	<u>\$(7,352)</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Restricted net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used. By far the largest portion of the City's net position as June 30, 2020 consists of the investment in capital assets. The City uses these capital assets to provide services to its citizenry; consequently, these assets are not available for future spending.

The following summarizes the City's net position changes (in thousands of dollars) of the governmental activities between the two years ended June 30:

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,569	\$ 2,120
Operating grants and contributions	549	504
Capital grants and contributions	-	138
General revenues:		
Taxes	8,884	8,750
Intergovernmental	1,381	1,028
Unrestricted investment earnings	65	108
Miscellaneous	698	609
Special items:		
Loss on disposition of capital assets	-	(92)
Donation of capital asset	-	10
Total revenues and special items	<u>\$ 14,146</u>	<u>\$ 13,175</u>
Expenses:		
General government	\$ 3,341	\$ 3,415
Public safety	6,123	6,058
Public works	2,044	2,493
Sanitation	2,234	1,810
Economic development	10	10
Debt service	221	239
Total expenses	<u>\$ 13,973</u>	<u>\$ 14,025</u>
Change in net position	\$ 173	\$(850)
Net position - beginning (deficit)	(7,352)	(4,460)
Prior period adjustment	<u>-</u>	<u>(2,042)</u>
Net position - ending (deficit)	<u>\$(7,179)</u>	<u>\$(7,352)</u>

The City's total revenues and special items increased by \$971,000 while the total costs of all programs and services decreased by \$52,000.

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2020, taxes were the largest general revenue source for the City and charges for services were the largest program revenue source for the City.

Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues.

Financial Analysis of Governmental Funds

As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$13,938,530, an increase of \$1,012,726 from \$12,925,804 as of June 30, 2019. \$8,683,608 of the ending combined fund balance as of June 30, 2020 was restricted for debt service.

Budgetary Highlights

The City made amendments to all of its budgets with there being no unfavorable variances of 5% or more in the final budgets. The revenues and expenditures for an LCBG project were reported in the Sewer Use Fee Fund but as is common practice, were not budgeted.

Capital Assets and Debt Administration

The City's major capital asset additions during the current fiscal year were for machinery and equipment. Depreciation of capital assets of \$505,732 for the year ended June 30, 2020 was recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2020, the City had long-term liabilities comprised of the following:

Capital leases	\$ 445,801
Workout agreement and pledge of leases and rents	346,766
Firemen's lawsuit	1,673,806
Compensated absences	153,031
Sewer revenue and refunding revenue bonds	3,605,000
Sales tax revenue bonds	<u>2,910,000</u>
Total long-term liabilities	<u>\$ 9,134,403</u>

All debt service requirements of the current fiscal year were timely met. The majority of long-term debt retirements were made for revenue bonds.

Economic Factor's and Next Year's Budget

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. The City's future cash flows could be affected by the economic slowdown that has resulted from these measures. The duration and impact of the COVID-19 pandemic remains unclear as of the date of this report.

The City prepared and adopted the original General Fund's budget for the fiscal year ending June 30, 2020 with budgeted revenues and other financing sources of \$11,853,767, a decrease from the final amended budgeted revenues and other financing sources of \$11,930,210 for the year ended June 30, 2019. Likewise, expenditures and other financing uses originally budgeted for the General Fund were increased to \$13,782,074 from the final amended budgeted amount of \$12,679,803 for the fiscal year ended June 30, 2019.

The Sewer Use Fee Fund's fiscal year ending June 30, 2020 original budgeted revenues were increased to \$1,737,210 from \$1,160,456 budgeted for the year ended June 30, 2019. Expenditures originally budgeted for the year ending June 30, 2020 were increased by \$1,116,788 from the year ended June 30, 2019 due to an expected street project funded by a grant.

Minimal changes were made in the original budgeted revenues of the Sales Tax Fund for the fiscal year ending June 30, 2020. Expenditures originally budgeted for the year ending June 30, 2020 were decreased by \$269,591 from the year ended June 30, 2019 due to the completion of street overlay projects.

Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, P. O. Box 431, Bastrop, Louisiana 71220.

BASIC FINANCIAL STATEMENTS

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2020

ASSETS

Cash	\$ 8,694,343
Pooled deposits	2,136,679
Receivables:	
Accounts	212,234
Taxes	75,888
Other	71,913
Inventory	43,708
Due from other governments	791,899
Restricted assets:	
Cash	1,864,648
Money market mutual funds	862,183
Capital assets:	
Land	1,123,742
Other capital assets, net of depreciation	9,940,636
Total assets	<u>\$ 25,817,873</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 2,166,259</u>
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CITY OF BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES (Continued)

June 30, 2020

LIABILITIES

Accounts payable	\$ 676,509
Accrued salaries	76,898
Accrued interest	30,871
Long-term liabilities:	
Due within one year	1,097,690
Due in more than one year	8,036,714
Net pension liability	8,303,209
Net other postemployment benefit obligation	15,999,705
Total liabilities	<u>\$ 34,221,596</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 942,010</u>
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NET POSITION

Invested in capital assets, net of related debt	\$ 10,618,577
Restricted for debt service	6,515,000
Unrestricted (deficit)	<u>(24,313,051)</u>
Total net position	<u><u>\$ (7,179,474)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
As of and for the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:					
Current:					
General government	\$ 3,341,372	\$ 644,676	\$ 272,119	\$ -	\$(2,424,577)
Public safety	6,123,299	70,737	4,900	-	(6,047,662)
Public works	2,043,795	66,240	-	-	(1,977,555)
Sanitation	2,234,213	1,786,945	271,785	-	(175,483)
Economic development	10,000	-	-	-	(10,000)
Debt service:					
Interest and fiscal charges	<u>221,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,049)</u>
Totals	<u>\$ 13,973,728</u>	<u>\$ 2,568,598</u>	<u>\$ 548,804</u>	<u>\$ -</u>	<u>\$(10,856,326)</u>
General revenues:					
					\$ 8,883,940
					1,381,619
					65,521
					<u>697,820</u>
					<u>\$ 11,028,900</u>
					\$ 172,574
					<u>(7,352,048)</u>
					<u>\$(7,179,474)</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

ASSETS	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash	\$ 2,111,112	\$ 2,347,354	\$ 4,235,877	\$ 8,694,343
Pooled deposits	856,915	1,279,764	-	2,136,679
Receivables:				
Accounts	-	212,234	-	212,234
Taxes	75,888	-	-	75,888
Other	71,913	-	-	71,913
Inventory	43,708	-	-	43,708
Due from other governments	516,406	213,935	-	730,341
Restricted assets:				
Cash	45,000	948,808	870,840	1,864,648
Money market mutual funds	-	862,183	-	862,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,720,942</u>	<u>\$ 5,864,278</u>	<u>\$ 5,106,717</u>	<u>\$ 14,691,937</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2020

LIABILITIES AND FUND BALANCES	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Liabilities:				
Accounts payable	\$ 449,464	\$ 227,045	\$ -	\$ 676,509
Accrued salaries	76,898	-	-	76,898
Total liabilities	<u>\$ 526,362</u>	<u>\$ 227,045</u>	<u>\$ -</u>	<u>\$ 753,407</u>
Fund balances:				
Nonspendable (inventory)	\$ 43,708	\$ -	\$ -	\$ 43,708
Restricted (debt service)	-	5,637,233	3,046,375	8,683,608
Assigned	42,363	-	2,060,342	2,102,705
Unassigned	3,108,509	-	-	3,108,509
Total fund balances	<u>\$ 3,194,580</u>	<u>\$ 5,637,233</u>	<u>\$ 5,106,717</u>	<u>\$ 13,938,530</u>
Total liabilities and fund balances	<u>\$ 3,720,942</u>	<u>\$ 5,864,278</u>	<u>\$ 5,106,717</u>	<u>\$ 14,691,937</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2020

	<u>General</u> <u>Fund</u>	<u>Sewer</u> <u>Use Fee</u> <u>Fund</u>	<u>Sales</u> <u>Tax</u> <u>Fund</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 7,942,655	\$ -	\$ 941,285	\$ 8,750,376
Licenses and permits	438,540	-	-	456,937
Intergovernmental	1,658,638	255,481	-	1,668,133
Fees, charges, and commissions for services	411,027	1,667,982	-	1,598,943
Fines and forfeitures	51,049	-	-	64,577
Interest and miscellaneous	490,143	30,805	12,689	477,729
Total revenues	<u>\$ 10,992,052</u>	<u>\$ 1,954,269</u>	<u>\$ 953,974</u>	<u>\$ 13,016,695</u>
Expenditures:				
Current:				
General government	\$ 2,954,380	\$ -	\$ -	\$ 2,954,380
Public safety	5,046,665	-	-	5,046,665
Public works	1,516,469	-	61,586	1,578,055
Sanitation	1,396,150	629,621	-	2,025,771
Economic development	10,000	-	-	10,000
Debt service:				
Principal	773,485	335,000	572,768	1,681,253
Interest and fiscal charges	21,665	118,055	84,668	224,388
Capital outlay	59,480	7,577	-	67,057
Total expenditures	<u>\$ 11,778,294</u>	<u>\$ 1,090,253</u>	<u>\$ 719,022</u>	<u>\$ 13,587,569</u>

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CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
 As of and for the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Excess (deficiency) of revenues over expenditures	\$(786,242)	\$ 864,016	\$ 234,952	\$ 312,726
Other financing sources: Revenue anticipation note proceeds	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Net change in fund balances	\$(86,242)	\$ 864,016	\$ 234,952	\$ 1,012,726
Fund balances - beginning	<u>3,280,822</u>	<u>4,773,217</u>	<u>4,871,765</u>	<u>12,925,804</u>
Fund balances - ending	<u>\$ 3,194,580</u>	<u>\$ 5,637,233</u>	<u>\$ 5,106,717</u>	<u>\$ 13,938,530</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

Total fund balances - governmental funds balance sheet	\$ 13,938,530
Amounts reported for governmental activities in statement of net assets are different because:	
Certain revenues are not currently available at the end of the City's fiscal year and are not reported in the funds.	61,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,064,378
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	(9,165,275)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(8,303,209)
Net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	1,224,249
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>(15,999,705)</u>
Total net position of governmental activities (deficit) - government-wide statement of net position	<u><u>\$ (7,179,474)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2020

Net change in fund balances - governmental funds \$ 1,012,726

Amounts reported for governmental activities in statement of activities are different because:

Governmental funds report capital outlays 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. This is the amount by which depreciation (\$505,732) exceeded capital outlay (\$67,057) in the current period. (438,675)

Governmental funds do not report some revenues because they will not be collected for some time after fiscal year-end and are not "available" revenues. 16,303

Governmental funds report principal and interest payments on long-term obligations as an expense when actually paid. However, in the statement of activities, interest is expensed as accrued and principal payments are reported as reductions of the related debt. Long-term debt proceeds are reported as other financing sources in the governmental funds while as increases of debt in the statement of net position. This is the amount related to these reporting differences. 1,023,474

Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds. 229,704

(continued)

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Continued)

June 30, 2020

Other	(27,430)
Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such.	(354,455)
OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(584,159)</u>
Changes in net assets of governmental activities - government-wide statement of activities	<u>\$ 172,574</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana (the "City"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 11,000, and it employs approximately 140 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

GASB Statement No. 14, *The Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units- an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, the City is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statements No. 14 and 39, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the City has determined that City of Bastrop Sales Tax District No. 1 is a component unit of the reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government (the City) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality's must be substantively the same or the organization must provide services entirely or almost entirely to the municipality.

Also considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. The day-to-day operations of the marshal and court are funded by the City's General Fund and their activities are primarily for residents of the City. However, the agency funds of these two entities are not shown in this report and their individual financial statements are available by contacting the entities. These governmental entities are staffed by independently elected officials and are legally separate from the City.

The more significant of the City's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements report governmental activities, generally supported by taxes and intergovernmental revenues. The City has no business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which include licenses, permits, fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental funds with major individual governmental funds reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with GAAP. The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

NOTES TO FINANCIAL STATEMENTS

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed to make improvements to the sewage treatment and collection systems.

Sales Tax Fund - accounts for a dedicated source of revenue available for maintaining, improving, repairing, and extending streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for all of the governmental funds on June 27, 2019. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, must be approved by the Board of Aldermen. Final amendments were made to all budgets on June 25, 2020 and the budgetary comparison schedules, included as supplementary information in the accompanying financial statements, include the original and final amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Money Market Mutual Funds and Pooled Deposits:

Money market mutual funds and pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits as all are short-term, highly-liquid securities.

NOTES TO FINANCIAL STATEMENTS

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Receivables and Due From Other Governments:

Significant receivables include franchise taxes, intergovernmental revenues, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Revenues from grants are recorded as earned when eligibility requirements are met.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental activities.

NOTES TO FINANCIAL STATEMENTS

Restricted Assets:

Restricted assets are reported for cash and money market mutual funds legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

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 needed.

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are stated at fair value on the date of donation.

The City generally capitalizes all individual assets (including infrastructure) with costs of \$2,500 or more as purchase and construction outlays occur.

The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold when declared no longer needed for public purposes, salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Machinery and equipment	5 - 15 years
Roads	20 years

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the General Fund that is responsible for all employees' compensation and are recorded in the fund financial statements only when payment is actually made.

Long-Term Liabilities:

Accrued compensated absences, outstanding debt, and the related accrued interest is reported as liabilities in the government-wide financial statements. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for compensated absences, long-term debt principal, and interest payments are recorded in the fund financial statements only when payment is due.

Pensions:

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

NOTES TO FINANCIAL STATEMENTS

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City's deferred outflows and deferred inflows are resources related to pensions.

Equity Classifications:

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

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provision or enabling legislation.
3. Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental fund equity is classified as fund balance. Beginning with fiscal year 2012, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City'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:

1. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

NOTES TO FINANCIAL STATEMENTS

2. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
3. Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint;
4. Assigned fund balance - amounts that the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
5. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the City as of June 30, 2020:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 9,676,050
Petty cash	800
Money market mutual funds	862,183
Held by paying agent	882,141
Pooled deposits	<u>2,136,679</u>
	<u>\$ 13,557,853</u>

NOTES TO FINANCIAL STATEMENTS

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled 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. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2020, the City had \$9,234,070 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$750,000 of federal deposit insurance and \$8,484,070 of pledged securities held by the City and the pledging financial institution's trust department or their agents in the City's name.

Collateralization is not required for investments in money market mutual funds.

Pooled deposits are held as of June 30, 2020 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2020 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AAAM by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

There were no repurchase or reverse repurchase agreements as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments of the governmental activities as of June 30, 2020:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Totals</u>
User fees:			
Sewer	\$ -	\$ 212,234	\$ 212,234
Taxes:			
Franchise	75,888	-	75,888
Intergovernmental:			
Federal	26,105		26,105
State	64,230	213,935	278,165
Local	426,071		426,071
Other	<u>71,913</u>	<u>-</u>	<u>71,913</u>
	<u>\$ 664,207</u>	<u>\$ 426,169</u>	<u>\$ 1,090,376</u>

Note 4. Taxes

For the year ended June 30, 2020, ad valorem taxes of 57.93 mills were levied on property with assessed valuations totaling \$49,194,605 as follows:

	<u>Maximum Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	13.50	13.72	Perpetual
Police	9.58	9.73	2021
Street improvements	9.58	9.73	2021
Sewer maintenance	9.58	9.73	2021
Fire (#1)	4.79	4.87	2021
Fire (#2)	4.55	4.62	2023
Recreation	3.61	3.67	2023
Cemetery	.92	.93	2023
Building maintenance	.92	.93	2023

NOTES TO FINANCIAL STATEMENTS

The following are the principal ad valorem taxpayers for the City:

	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
Entergy Louisiana Holdings, Inc.	\$ 1,671,610	3.40%	\$ 94,471
Wal-Mart Real Estate Business Trust	1,598,817	3.25%	92,619
Wal-Mart Louisiana, LLC	1,013,830	2.06%	57,702

Total ad valorem taxes levied were \$2,816,414. There were \$25,422 (not considered material to record) of uncollected ad valorem taxes as of June 30, 2020 on this levy.

The following sales and use taxes were levied as of June 30, 2020:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration Date</u>
½%	any and all lawful municipal purposes	June 30, 2028
½%	any and all lawful municipal purposes	June 30, 2028
1%	any and all lawful municipal purposes	June 30, 2028
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2024

Note 5. Restricted Assets

Restricted assets, \$1,810,991 of the Sewer Use Fee Fund and \$870,840 of the Sales Tax Fund consist of funds required to be maintained and their use is restricted.

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets and Depreciation

Capital assets and depreciation activity as of and for the year ended June 30, 2020 for the governmental activities is as follows:

	Balance - July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Prior Period Adjustment/ <u>Reclassifications</u>	Balance - June 30, <u>2020</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	<u>\$ 1,123,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,742</u>
Capital assets being depreciated:					
Infrastructure	\$ 7,611,798	\$ -	\$ -	\$ -	\$ 7,611,798
Buildings and improvements	5,968,639	-	-	-	5,968,639
Machinery and equipment	<u>7,141,320</u>	<u>67,057</u>	<u>-</u>	<u>(31,093)</u>	<u>7,177,284</u>
Total capital assets being depreciated	<u>\$ 20,721,757</u>	<u>\$ 67,057</u>	<u>\$ -</u>	<u>\$(31,093)</u>	<u>\$ 20,757,721</u>
Less accumulated depreciation for:					
Infrastructure	\$ 1,406,417	\$ 210,362	\$ -	\$ -	\$ 1,616,779
Buildings and improvements	3,839,752	95,698	-	-	3,935,450
Machinery and equipment	<u>5,068,848</u>	<u>199,672</u>	<u>-</u>	<u>(3,664)</u>	<u>5,264,856</u>
Total accumulated depreciation	<u>\$ 10,315,017</u>	<u>\$ 505,732</u>	<u>\$ -</u>	<u>\$(3,664)</u>	<u>\$ 10,817,085</u>
Total capital assets being depreciated, net	<u>\$ 10,406,740</u>	<u>\$(438,675)</u>	<u>\$ -</u>	<u>\$(27,429)</u>	<u>\$ 9,940,636</u>

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NOTES TO FINANCIAL STATEMENTS

Depreciation expense of the City for the year ended June 30, 2020 was charged to the following governmental functions:

General government	\$ 123,788
Public safety	112,204
Public works	61,298
Sanitation	<u>208,442</u>
	<u>\$ 505,732</u>

Note 7. Short-Term Debt

In August 2019, the City issued \$700,000 revenue anticipation notes for the purpose of paying current general expenses for the year ended June 30, 2020. The maturity date was on or before March 1, 2020 and the City paid the note in full with interest thereon in February 2020.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Long-Term Debt

The following is a summary of capital leases, compensated absences, and sewer bond transactions of the governmental activities of the City for the year ended June 30, 2020:

	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>		<u>Totals</u>
	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Capital Lease</u>	<u>Sales Tax Revenue Bonds</u>	
Long-term debt payable - July 1, 2019	\$ 358,911	\$ 191,913	\$ 1,700,000	\$ 2,240,000	\$ 169,143	\$ 3,450,000	\$ 8,109,967
Additions	-	-	-	-	-	-	-
Retirements	(49,485)	(38,882)	(120,000)	(215,000)	(32,768)	(540,000)	(996,135)
Long-term debt payable - June 30, 2020	<u>\$ 309,426</u>	<u>\$ 153,031</u>	<u>\$ 1,580,000</u>	<u>\$ 2,025,000</u>	<u>\$ 136,375</u>	<u>\$ 2,910,000</u>	<u>\$ 7,113,832</u>

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of the above long-term debt obligations of the governmental activities as of June 30, 2020:

	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>		<u>Totals</u>
	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Capital Lease</u>	<u>Sales Tax Revenue Bonds</u>	
Current portion	\$ 52,024	\$ 92,774	\$ 120,000	\$ 220,000	\$ 33,893	\$ 555,000	\$ 1,073,691
Long-term portion	<u>257,402</u>	<u>60,257</u>	<u>1,460,000</u>	<u>1,805,000</u>	<u>102,482</u>	<u>2,355,000</u>	<u>6,040,141</u>
Total due	<u>\$ 309,426</u>	<u>\$ 153,031</u>	<u>\$ 1,580,000</u>	<u>\$ 2,025,000</u>	<u>\$ 136,375</u>	<u>\$ 2,910,000</u>	<u>\$ 7,113,832</u>

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NOTES TO FINANCIAL STATEMENTS

The outstanding revenue bonds as of June 30, 2020 are comprised of the following individual issues:

\$1,700,000 Sewer Revenue Bonds, Series 2015 - dated November 1, 2015, bear interest at 4.10% per annum, interest due May 1 and November 1 of each year, principal payable November 1 of each year, beginning in November 2019.

The bonds were issued for the purposes of (1) financing the acquisition, construction, repair, replacement and/or rehabilitation of existing lift stations as well as other lift stations and other treatment and/or collection facilities including the acquisition and installation of equipment related thereto, (2) fund a debt service reserve fund, and (3) paying the cost of issuance of the bonds.

\$4,470,000 Sewer Refunding Revenue Bonds, Series 2012 - dated November 20, 2012, bear interest ranging from 2.00% to 2.55% per annum, interest due May 1 and November 1 of each year, principal payable May 1 of each year.

The proceeds of the sewer refunding revenue bonds were used to refund the 1994 issue during the fiscal year ended June 30, 2013 and to refund both the 2002 and 2003 issues during the fiscal year ended June 30, 2014.

\$5,000,000 Sales Tax Revenue Bonds, Series 2016 - dated March 29, 2016, bear interest at 2.30% per annum, interest due June 1 and December 1 of each year, principal payable December 1 of each year.

The bonds were issued for the purposes of (1) financing the costs of improving, repairing and extending the streets, sidewalks, alleys, roadways, and related drainage and (3) paying the cost of issuance of the bonds.

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the revenue bonds of the governmental activities as of June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Sewer Use</u> <u>Fee Fund</u>		<u>Sales Tax</u> <u>Fund</u>	<u>Totals</u>
	Sewer	Sewer	Sales	
	Revenue	Refunding	Tax	
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
2021	\$ 120,000	\$ 220,000	\$ 555,000	\$ 895,000
2022	125,000	225,000	570,000	920,000
2023	125,000	230,000	580,000	935,000
2024	130,000	230,000	595,000	955,000
2025	130,000	235,000	610,000	975,000
2026 - 30	570,000	885,000	-	1,455,000
2031 - 33	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>380,000</u>
Totals	<u>\$ 1,580,000</u>	<u>\$ 2,025,000</u>	<u>\$ 2,910,000</u>	<u>\$ 6,515,000</u>

The City incurred and charged to expense \$224,389 of interest costs and fiscal charges during the year ended June 30, 2020 on a revenue anticipation note, revenue bonds, and capital leases. The annual requirements to amortize all interest and administrative fees applicable to the revenue bonds of the governmental activities as of June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Sewer Use</u> <u>Fee Fund</u>		<u>Sales Tax</u> <u>Fund</u>	<u>Totals</u>
	Sewer	Sewer	Sales	
	Revenue	Refunding	Tax	
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
2021	\$ 62,320	\$ 43,465	\$ 63,707	\$ 169,492
2022	57,298	39,015	50,094	146,407
2023	52,173	34,465	36,179	122,817
2024	46,945	29,635	21,962	98,542
2025	41,615	24,402	7,381	73,398
2026 - 30	135,095	40,052	-	175,147
2031 - 33	<u>23,775</u>	<u>-</u>	<u>-</u>	<u>23,775</u>
Totals	<u>\$ 419,221</u>	<u>\$ 211,034</u>	<u>\$ 179,323</u>	<u>\$ 809,578</u>

NOTES TO FINANCIAL STATEMENTS

The outstanding capital lease agreements as of June 30, 2020 are comprised of the following:

Lease for tractor with original recorded amount of \$118,364. The lease payments will be made by the General Fund and paid in full during the year ending June 30, 2028. Future minimum lease payments as of June 30, 2020 are \$67,833 of which \$5,719 represents interest.

Lease for fire truck with original recorded amount of \$300,000. The lease payments will be made by the General Fund and paid in full during the year ending June 30, 2023. Future minimum lease payments as of June 30, 2020 are \$284,232 of which \$36,920 represents interest.

Lease for asphalt patcher with original recorded amount of \$206,000. The lease payments will be made by the Sales Tax Fund and paid in full during the year ending June 30, 2024. Future minimum lease payments as of June 30, 2020 are \$145,592 of which \$9,217 represents interest.

As of June 30, 2020, employees of the City had accumulated and vested \$153,031 of employee leave benefits that will be liquidated by the General Fund. Payment of such benefits is dependent upon many factors; therefore, timing of future payments is not readily determinable.

Note 9. Workout Agreement and Pledge of Leases and Rents

On December 15, 2018, the City entered into a workout agreement and pledge of leases and rents with Louisiana Department of Economic Development (“LED”). LED entered into a cooperative endeavor agreement in connection with a economic development award program (“EDAP”) effective October 17, 2014 with Flying Tiger Aviation, L.L.C. (“Company”) as the awardee, the City as the sponsoring entity and solidarity obligor with the Company, and two guarantors.

The Company ceased doing business and the guarantors each filed bankruptcy proceedings. The Company, the City, and guarantors were in default of their obligations under the EDAP. The City reached an agreement for a repayment plan of the debt owed under the EDAP to the LED. As part of the agreement, the City agreed to pledge to the LED the leases and rents generated by the reletting of the space formerly occupied by the Company.

The amount owed to LED by the City under the terms of the EDAP was the principal amount of \$376,691, plus interest thereon at the rate of 12% per annum. The City shall pay to LED monthly payments of \$2,000 commencing on January 15, 2019 and continuing on the 15th day of each succeeding month thereafter until the total unpaid balance has been credited and paid in full. During the initial term, the monthly payment amount to LED was

NOTES TO FINANCIAL STATEMENTS

discounted to \$850 for the first three months and to \$1,125 for the second three-month period. Monthly payments of \$2,000 to LED commenced on July 15, 2019.

Provided the principal amount of \$376,691 is paid in full under the terms of the agreement, LED will waive all accrued interest on the principal amount. As of June 30, 2020, all monthly payments had been timely paid and the principal balance of the workout agreement was \$346,766.

Note 10. Judgment Rendered

A final judgment has been rendered against the City in the amount of \$1,673,806 plus judicial interest in the aggregate for all salary, longevity pay, and overtime wages that the City failed to pay as required by law to firemen. Further litigation and proceedings are anticipated. The City plans to continue its current defense path and is committed to pay the judgment when funds are available. The judgment amount has been recorded in the government-wide financial statements as long-term liabilities due in more than one year.

Note 11. Fund Balances

Inventory at year end is equally offset by an unexpendable fund balance amount in the General Fund under the purchase method.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems; therefore fund balance is restricted. Likewise, fund balance of the Sales Tax Fund has been restricted or assigned as revenues collected by the fund are dedicated for debt repayment, maintaining, improving, repairing, and extending streets and related improvements.

Note 12. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2020, the City paid retirement benefits of \$58,022 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana.

The City's employees are provided with benefits through the following multiple-employer cost-sharing plans:

- Municipal Employees Retirement System (Plan A) ("MERS") provides retirement benefits to employees of all incorporated villages, towns, and cities within the state that do not have their own retirement system and have elected to become members of the system.
- Municipal Police Employees Retirement System ("MPERS") provides retirement benefits to municipal police officers.
- Firefighters' Retirement System ("FRS") provides retirement benefits to firefighters.

General Information About the Plans:

- MERS 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, with exceptions outlined in the Louisiana Revised Statutes. The City participates in Plan A and provides retirement benefits to any member of Plan A who was hired before January 1, 2013 meeting one of the following criteria:
 - Any age with 25 or more years of creditable service
 - Age 60 with a minimum of 10 years creditable service
 - Any age with 5 years of creditable service for disability benefits
 - Survivor's benefits require 5 years of creditable service at death of member
 - Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

NOTES TO FINANCIAL STATEMENTS

For members hired after January 1, 2013, benefits are provided to any member of Plan A meeting one of the following criteria:

- Age 67 with 7 or more years of creditable service
- Age 62 with 10 or more years of creditable service
- Age 55 with 30 or more years of creditable service
- Any age with 25 years of service, exclusive of military service and unused side leave, with an actuarially reduced early benefit.

Generally, the monthly retirement allowance for any member of Plan A consists of an amount equal to 3% of the member's monthly average final compensation times years of creditable service. Survivor, death, and disability benefits are also provided under the plan.

In lieu of terminating employment and accepting a service retirement allowance, any member 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 such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

For the year ended June 30, 2019, the actual employer contribution rate was 26.0%, determined actuarially. According to state statute, the contribution requirements for all employers are actuarially determined each year.

MERS receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations.

NOTES TO FINANCIAL STATEMENTS

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	35%	1.51%
Public equity	50%	2.15%
Alternatives	<u>15%</u>	<u>0.64%</u>
Totals	<u>100%</u>	4.30%
Inflation		<u>2.70%</u>
Expected arithmetic nominal return		<u>7.00%</u>

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 27.75% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2020, 2019, and 2018 were \$312,375, \$333,189, and \$334,515, respectively, equal to the required contributions for each year.

- MPERS membership is mandatory for any full-time police officer employed by a municipality of the state and engaged in law enforcement, empowered to make arrests, provided that the officer is not required to pay Social Security, and otherwise meets statutory criteria. For members hired before January 1, 2013, the plan provides retirement benefits to any member who has:
 - 25 years of creditable service, or
 - 20 years of creditable service who has attained age 50, or
 - 12 years of service who has attained age 55, or
 - 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3 1/3 % of average final compensation (average monthly earnings during the highest 36 consecutive months) times the number of years' service, not to exceed 100% of final salary.

NOTES TO FINANCIAL STATEMENTS

For members hired after January 1, 2013, benefits are based on the Hazardous Duty sub-plan or the Nonhazardous Duty sub-plan. Under the Hazardous Duty sub-plan, a member is eligible for benefits after:

- 25 years of creditable service at any age, or
- 12 years of creditable service at age 55.

Under the Nonhazardous Duty sub-plan, a member is eligible for benefits after:

- 30 years of creditable service at any age, or
- 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 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3% and 2.5%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months) times the number of years of creditable service, not to exceed 100% of final salary.

The plan also provides survivor, death, and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the DROP for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return less one-half percentage point on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

Contributions by employers are actuarially determined by law, but cannot be less than 9% of compensation excluding overtime, but including state supplemental pay. For the year ended June 30, 2020, employer contributions were 32.50%.

MPERS plan also receives insurance premium tax monies appropriated by the state legislature as additional employer contributions and considered support from a nonemployer contributing entity, but not considered a special funding situation.

NOTES TO FINANCIAL STATEMENTS

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	33.5%	0.80%
Public equity	48.5%	3.28%
Alternatives	18.0%	1.06%
Other	<u>0.0%</u>	<u>0.0%</u>
Totals	<u>100%</u>	5.14%
Inflation		<u>2.75%</u>
Expected arithmetic nominal return		<u>7.89%</u>

Plan members are required by state statute to contribute 8.0% or 10.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 34.0% for Nonhazardous Duty employees and for Hazardous Duty employees. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City’s contributions to the System for the years ended June 30, 2020, 2019, and 2018 were \$208,683, \$254,824, and \$263,083, respectively, equal to the required contributions for each year.

- FRS membership is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district, in addition to employees of the FRS. Persons must be under the age of 50 to be eligible for membership, unless they become members through merger.

Members are eligible for retirement benefits after:

- 12 years of creditable service at age 55, or
- 20 years of creditable service at age 50, or
- 25 years of creditable service at any age

The retirement allowance is equal to 3 1/3% of the member’s average final compensation times the years of creditable service, not to exceed 100% of average final compensation. Members may receive benefits as a life annuity, or at the member’s option, may receive a reduced benefit according to the option selected, which is the actuarial equivalent of the maximum benefit:

NOTES TO FINANCIAL STATEMENTS

- Option 1 – If member dies before receiving in annuity payments the present value of member’s annuity as it was at retirement, the balance is paid to member’s beneficiary
- Option 2 – Upon retirement, member receives a reduced benefit. Upon member’s death, designated beneficiary will continue to receive the same reduced benefit.
- Option 3 – Upon retirement, member receives a reduced benefit. Upon member’s death, designated beneficiary will receive one-half of member’s reduced benefit.
- Option 4 – Upon retirement, member elects to receive a board-approved benefit payable to the member, the member’s spouse, or the member’s dependent child, which is actuarially equivalent to the maximum benefit.

An initial benefit option is available to regular retirees who have not participated in the DROP. Under this option, members may receive an initial benefit plus a reduced monthly retirement allowance which, when combined, equal the actuarially equivalent amount of the maximum retirement allowance. The initial benefit may not exceed an amount equal to 36 payments of the member’s maximum retirement allowance. The initial benefit can be paid either as a lump-sum payment or placed in an account called an “initial benefit account” with interest credited thereto and monthly payments made from the account. A member may also elect to receive a reduced benefit which provides for an automatic 2.5% annual compound increase in monthly benefits based on the reduced benefit and commencing on the later of age 55 or retirement anniversary; this cost-of-living-adjustment (“COLA”) is in addition to any ad hoc COLAs which are payable.

The plan also provides survivor, death, and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the DROP for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Upon termination of employment at the end of the specified period of participation, a participant may receive, at the participant’s option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon the account, or may elect any other method of payment if approved by the board of trustees.

NOTES TO FINANCIAL STATEMENTS

Contributions to the plan are made by employers, employees and insurance premium taxes. The employee rate is set by statute, but cannot be less than 8% or more than 10% of compensation. The employer contributions are actuarially determined and subject to change each year. For the year ended June 30, 2019, employer contribution rates were 26.5% for employees above the poverty line and 28.5% . Insurance premium taxes are allocated to the system based on available funds and statutory provisions.

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	31%	.73%
Public equity	49%	3.28%
Alternatives	10%	.73%
Other	<u>10%</u>	<u>.45%</u>
Totals	<u>100%</u>	5.19%
Inflation		<u>2.75%</u>
Expected arithmetic nominal return		<u>7.94%</u>

Plan members are required by state statute to contribute 10.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 27.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City’s contributions to the System for the years ended June 30, 2020, 2019, and 2018 were \$339,187, \$318,041, and \$263,083, respectively, equal to the required contributions for each year.

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

For the years ended June 30, the City reported its proportionate shares of the net pension liability of the plans as follows:

	<u>2020</u>	<u>2019</u>
MERS	\$ 2,892,699	\$ 3,093,298
MPERS	2,301,015	2,472,872
FRS	<u>3,109,495</u>	<u>2,921,653</u>
	<u>\$ 8,303,209</u>	<u>\$ 8,487,823</u>

NOTES TO FINANCIAL STATEMENTS

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on projections of the City's long-term share of contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. For the years ended June 30, the City's proportionate shares of each plan were as follows:

	<u>2019</u>	<u>2018</u>
MERS	.69%	.75%
MPERS	.25%	.29%
FRS	.50%	.51%

For the years ended June 30, contributions by nonemployers were as follows:

	<u>2020</u>	<u>2019</u>
MERS	\$ 44,423	\$ 46,599
MPERS	52,162	57,722
FRS	133,119	131,828
	\$ 229,704	\$ 236,149

For the years ended June 30, the City recognized pension expense as follows:

	<u>2020</u>	<u>2019</u>
MERS	\$ 557,702	\$ 546,524
MPERS	362,281	314,175
FRS	531,217	436,769
	\$ 1,451,200	\$ 1,297,468

NOTES TO FINANCIAL STATEMENTS

In addition, for the years ended June 30, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2020</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ 18,962	\$ 41,565	\$ 110,233	\$ 170,760
Changes in assumptions	73,101	128,945	282,888	484,934
Differences between expected and actual experience	-	4,828	-	4,828
Net difference between projected and actual earnings on pension plan investments	286,894	149,493	209,105	645,492
City's contributions subsequent to the measurement date	<u>312,375</u>	<u>208,683</u>	<u>339,187</u>	<u>860,245</u>
 Total deferred outflows of resources	 <u>\$ 691,332</u>	 <u>\$ 533,514</u>	 <u>\$ 941,413</u>	 <u>\$2,166,259</u>
Deferred inflows of resources:				
Changes in proportion	\$ 128,907	\$ 231,606	\$ 215,598	\$ 576,111
Differences between expected and actual experience	70,580	70,792	224,301	365,673
Changes in assumptions	<u>-</u>	<u>-</u>	<u>226</u>	<u>226</u>
 Total deferred inflows of resources	 <u>\$ 199,487</u>	 <u>\$ 302,398</u>	 <u>\$ 440,125</u>	 <u>\$ 942,010</u>

NOTES TO FINANCIAL STATEMENTS

<u>2019</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ 97,350	\$ 84,044	\$ 154,065	\$ 335,459
Changes in assumptions	93,118	161,601	203,814	458,533
Differences between expected and actual experience	-	11,148	-	11,148
Net difference between projected and actual earnings on pension plan investments	474,029	118,544	189,980	782,553
City's contributions subsequent to the measurement date	<u>333,189</u>	<u>255,176</u>	<u>317,943</u>	<u>906,308</u>
 Total deferred outflows of resources	 <u>\$ 997,686</u>	 <u>\$ 630,513</u>	 <u>\$ 865,802</u>	 <u>\$ 2,494,001</u>
Deferred inflows of resources:				
Changes in proportion	\$ -	\$ -	\$ 271,500	\$ 271,500
Differences between expected and actual experience	109,981	126,369	222,370	458,720
Changes in assumptions	<u>-</u>	<u>-</u>	<u>463</u>	<u>463</u>
 Total deferred inflows of resources	 <u>\$ 109,981</u>	 <u>\$ 126,369</u>	 <u>\$ 494,333</u>	 <u>\$ 730,683</u>

NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 624,062
2021	260,479
2022	(58,148)
2023	32,247
2024	(6,454)
Thereafter	4,824

Actuarial Assumptions:

The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>
Inflation	2.60%	2.60%	2.70%
Salary increases	5.00%	vary from 9.75% for first two years of service to 4.25% after 23 years	vary from 15% for first two years of service to 4.75% after 25 years
Investment rate of return	7.28%	7.20%	7.30%
Actuarial cost method	entry age normal	entry age normal	entry age normal
Expected remaining service lives	3 years	4 years	7 years

Mortality rates for MERS were based on the RP-2000 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants. Mortality rate assumptions for the other plans were based on experience studies performed on plan data (for the period July 1, 2009 through June 30, 2014).

NOTES TO FINANCIAL STATEMENTS

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the City will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee (the "System"), taking into consideration the recommendation of the System's actuary. Based on these assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the investment rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Shares of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the City's proportionate shares of the net pension liabilities of the plans, calculated using the discount rates as shown above, as well as what the City's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>June 30, 2019</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.28%)	\$ 3,973,623	\$ 3,093,298	\$ 2,341,909
MPERS (current rate 7.20%)	3,475,070	2,472,872	1,632,067
FRS (current rate 7.30%)	<u>4,263,382</u>	<u>2,921,653</u>	<u>1,794,138</u>
Totals	<u>\$ 11,712,075</u>	<u>\$ 8,487,823</u>	<u>\$ 5,768,114</u>

<u>June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.40%)	\$ 3,893,312	\$ 3,055,178	\$ 2,340,272
MPERS (current rate 7.33%)	3,413,548	2,470,727	1,679,769
FRS (current rate 7.40%)	<u>4,144,522</u>	<u>2,884,226</u>	<u>1,824,767</u>
Totals	<u>\$ 11,451,382</u>	<u>\$ 8,410,131</u>	<u>\$ 5,844,808</u>

Pension Plan Fiduciary Net Position:

Detailed information about the plans' fiduciary net position is available in the separately issued financial statements of the plans.

NOTES TO FINANCIAL STATEMENTS

Note 14. Postemployment Benefits Other than Pensions

Benefits and Contributions:

The City provides fully insured medical insurance coverage for current and retired employees (and eligible dependents). The plan does not issue a stand-alone financial report. Additionally, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*.

To be eligible to continue coverage under the City’s plan, an employee must retire from the City and receive or be eligible to receive retirement funds through Deferred Normal Retirement/Vesting or Disable Retirement from MERS, MPERS, or FRS.

The retirees are required to contribute a portion of the premium rate depending on the medical plan option.

Employees Covered by Benefit Terms:

As of June 30, 2020, 108 inactive employees and 114 active employees were currently receiving benefit payments.

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	July 1, 2019
Inflation	2.40%
Salary increases	3.00%
Discount rate	2.45%
Prior year discount rate	3.13%
Health care cost trend rates	5.00% annually

The City pays the Freedom employee only rate plus \$100 of the monthly premium for the dependents. The retiree pays the difference. Surviving spouses are required to pay the full premium.

The discount rate was based on the June 30, 2020 Fidelity General Obligation AA 20-Year Yield.

NOTES TO FINANCIAL STATEMENTS

Mortality rates for active employees were based on the PubG.H-2010 Employee Mortality Table, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Mortality rates for retired employees were based on the PubG.H-2010 Healthy Retiree Mortality Table, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Mortality rates for disables employees were based on the PubG.H-2010 Disabled Mortality Table, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Changes in Total OPEB Liability:

Balance - June 30, 2019	<u>\$ 14,940,336</u>
Changes for the year:	
Service cost	\$ 345,316
Interest	367,300
Difference between actual and expected experience	(490,156)
Changes in assumptions/inputs	1,424,539
Benefit payments	<u>(587,630)</u>
Net changes	<u>\$ 1,059,369</u>
 Balance - June 30, 2020	 <u>\$ 15,999,705</u>

Sensitivity of Total OPEB Liability:

	1% Decrease	No Change	1% Increase
Discount rate	\$18,103,291	\$15,999,705	\$13,845,956
Healthcare cost trend rates	\$13,616,606	\$15,999,705	\$18,461,355

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB:

OPEB expense:	
Service cost	\$ 345,316
Interest	367,300
Difference between actual and expected experience	(78,358)
Changes in assumptions/inputs	<u>795,405</u>
 Total OPEB expense	 <u>\$ 1,429,663</u>

NOTES TO FINANCIAL STATEMENTS

Deferred outflows and inflows:

	<u>Outflows</u>	<u>Inflows</u>
Difference between actual and expected experience	\$ 52,243	\$ 326,771
Changes of assumptions or other inputs	1,270,251	-
 Total deferred outflows and inflows	 \$ 1,322,495	 \$ 326,771

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense in the years ended June 30, 2021 and 2022 as \$684,263 and \$311,461, respectively.

Note 15. Operating Leases

As of June 30, 2020, the City had entered into six equipment operating leases having initial or remaining noncancellable terms in excess of one year. The minimum annual commitment to be paid from the General Fund under the leases is not considered material to disclose.

The City made payments of \$16,231 from the General Fund during the year ended June 30, 2020 under operating leases.

Note 16. Agreement for Operations, Maintenance, and Management Services

An agreement was entered into between the City and Veolia Water North America - South LLC (“Veolia”) on December 20, 2012, for five successive, one-year terms, commencing July 1, 2012 for Veolia to operate, maintain, and manage services of the City’s wastewater and related treatment facilities. Veolia’s compensation under this agreement consists of an annual fee that will be negotiated each year and the maintenance and repair limit fee that will be trued-up on a quarterly basis. One-twelfth of the annual fee shall be due and payable on the first of each month that services are provided while all other compensation to Veolia is due upon receipt of Veolia’s invoice.

On June 14, 2018, the agreement was amended to extend the contract for one year with a 3.0% increase in only the annual fee and any increase waived for the additional maintenance and repair limit fee. All other terms of the agreement remain unmodified and in full force and effect. The annual fee paid by the City to Veolia for the fiscal year ended June 30, 2019 was \$1,305,487.

The agreement was again amended on May 29, 2019 to extend the contract for one year with a 3% increase in the annual fee and a 2% increase in the additional maintenance and repair limit fee. The annual fee paid by the City to Veolia for the fiscal year ended June 30, 2020 was \$1,253,462.

NOTES TO FINANCIAL STATEMENTS

Note 17. Cooperative Endeavor Agreements

On September 11, 2013, the City and Bastrop Area Fire Protection District No. 2 (the "District") entered into a cooperative endeavor agreement effective July 1, 2013 and expiring June 30, 2015 for the City to defray the expenses or costs associated with furnishing fire protection to the citizens of the District.

During the first year of the contract, the District agreed to pay the City \$800,000. Additional amounts as may be necessary to cover the actual costs incurred by the City will be negotiated at least annually (and more often, if required) on or before the first Wednesday in June of each year. The contract was renewed for another two years with the same terms effective July 1, 2015, again effective July 1, 2017, and then again July 1, 2019.

Note 18. Contingencies and Risk Management

Other than discussed in Note 10, as of the date of this report, there were no pending or threatening litigation suits involving the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2020 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTES TO FINANCIAL STATEMENTS

Note 19. Subsequent Events (unaudited)

The State Bond Commission, State of Louisiana, approved on August 20, 2020 the City incurring debt and issuing not to exceed \$700,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City on September 22, 2020. The notes mature with interest thereon not to exceed 3.5% per annum no later than March 1, 2021.

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. The City's future cash flows could be affected by the economic slowdown that has resulted from these measures. The City has determined that the impact of COVID-19 is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect this potential impact. The duration and impact of the COVID-19 pandemic remains unclear as of the date of this report.

The City has evaluated subsequent events through February 4, 2021, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 7,404,978	\$ 7,527,831	\$ 7,942,655	\$ 414,824
Licenses and permits	439,000	437,569	438,540	971
Intergovernmental	1,751,421	1,362,435	1,658,638	296,203
Fees, charges, and commission for services	339,418	400,576	411,027	10,451
Fines and forfeitures	59,000	50,984	51,049	65
Interest and miscellaneous	349,950	394,344	490,143	95,799
Total revenues	<u>\$ 10,343,767</u>	<u>\$ 10,173,739</u>	<u>\$ 10,992,052</u>	<u>\$ 818,313</u>
Expenditures:				
Current:				
General government	\$ 2,032,430	\$ 1,564,615	\$ 2,954,380	\$(1,389,765)
Public safety	5,749,707	5,092,095	5,046,665	45,430
Public works	1,950,636	1,530,446	1,516,469	13,977
Sanitation	1,338,746	1,386,087	1,396,150	(10,063)
Economic development	10,000	10,000	10,000	-
Debt service:				
Principal	1,500,000	707,553	773,485	(65,932)
Interest and fiscal charges	1,200,555	1,339,949	21,665	1,318,284
Capital outlay	-	-	59,480	(59,480)
Total expenditures	<u>\$ 13,782,074</u>	<u>\$ 11,630,745</u>	<u>\$ 11,778,294</u>	<u>\$ (147,549)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND -

GENERAL FUND (Continued)
As of and for the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	<u>\$(3,438,307)</u>	<u>\$(1,457,006)</u>	<u>\$(786,242)</u>	<u>\$ 670,764</u>
Other financing sources:				
Sale of fixed assets	\$ 10,000	\$ -	\$ -	\$ -
Revenue anticipation note proceeds	<u>1,500,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Total other financing sources	<u>\$ 1,510,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>
Net change in fund balance	<u>\$(1,928,307)</u>	<u>\$(757,006)</u>	<u>\$(86,242)</u>	<u>\$ 670,764</u>
Fund balance - beginning	<u>3,821,474</u>	<u>3,280,822</u>	<u>3,280,821</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,893,167</u>	<u>\$ 2,523,816</u>	<u>\$ 3,194,580</u>	<u>\$ 670,764</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND

As of and for the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 691,010	\$ 41,546	\$ 255,482	\$ 213,936
Fees, charges, and commissions for services	1,021,200	1,532,745	1,667,982	135,237
Interest and miscellaneous	25,000	30,108	30,805	697
Total revenues	<u>\$ 1,737,210</u>	<u>\$ 1,604,399</u>	<u>\$ 1,954,269</u>	<u>\$ 349,870</u>
Expenditures:				
Current:				
Sanitation	\$ 1,193,015	\$ 355,700	\$ 629,621	\$(273,921)
Debt service:				
Principal	485,705	265,315	335,000	(69,685)
Interest and fiscal charges	-	187,740	118,055	69,685
Capital outlay	35,000	58,484	7,577	50,907
Total expenditures	<u>\$ 1,713,720</u>	<u>\$ 867,239</u>	<u>\$ 1,090,253</u>	<u>\$(223,014)</u>
Net change in fund balance	\$ 23,490	\$ 737,160	\$ 864,016	\$ 126,856
Fund balance - beginning	<u>4,133,960</u>	<u>4,773,217</u>	<u>4,773,217</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,157,450</u>	<u>\$ 5,510,377</u>	<u>\$ 5,637,233</u>	<u>\$ 126,856</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SALES TAX FUND

As of and for the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 918,688	\$ 928,556	\$ 941,285	\$ 12,729
Intergovernmental	20,000	-	-	-
Interest and miscellaneous	12,200	12,499	12,689	190
Total revenues	<u>\$ 950,888</u>	<u>\$ 941,055</u>	<u>\$ 953,974</u>	<u>\$ 12,919</u>
Expenditures:				
Current:				
Public works	\$ 161,334	\$ 122,357	\$ 61,586	\$ 60,771
Debt service:				
Principal	620,000	584,245	572,768	11,477
Interest and fiscal charges	10,000	-	84,668	(84,668)
Capital outlay	82,981	-	-	-
Total expenditures	<u>\$ 874,315</u>	<u>\$ 706,602</u>	<u>\$ 719,022</u>	<u>\$(12,420)</u>
Net change in fund balance	\$ 76,573	\$ 234,453	\$ 234,952	\$ 499
Fund balance - beginning	<u>5,021,748</u>	<u>4,871,765</u>	<u>4,871,765</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,098,321</u>	<u>\$ 5,106,218</u>	<u>\$ 5,106,717</u>	<u>\$ 499</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
MERS:						
Proportion of net pension liability	0.69%	0.75%	0.73%	0.69%	0.69%	0.72%
Proportionate share of net pension liability	\$ 2,892,699	\$ 3,093,298	\$ 3,055,178	\$ 2,760,830	\$ 2,462,877	\$ 1,839,348
Covered employees' payroll	\$ 1,281,496	\$ 1,363,902	\$ 1,323,556	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Proportionate share of net pension liability as a percentage of covered employees' payroll	225.73%	226.80%	230.83%	231.74%	210.55%	152.90%
Plan fiduciary net position as a percentage of total pension liability	64.68%	63.94%	62.49%	62.11%	66.18%	75.45%
MPERS:						
Proportion of net pension liability	0.25%	0.29%	0.28%	0.28%	0.27%	0.32%
Proportionate share of net pension liability	\$ 2,301,015	\$ 2,472,872	\$ 2,470,727	\$ 2,628,944	\$ 2,116,084	\$ 2,000,320
Covered employees' payroll	\$ 791,245	\$ 860,508	\$ 842,231	\$ 782,139	\$ 722,533	\$ 847,895
Proportionate share of net pension liability as a percentage of covered employees' payroll	290.81%	287.37%	293.36%	336.12%	292.87%	253.92%
Plan fiduciary net position as a percentage of total pension liability	71.01%	71.89%	70.08%	66.04%	70.73%	75.10%

CITY OF BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (Continued)
Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
FRS:						
Proportion of net pension liability	0.50%	0.51%	0.50%	0.53%	0.51%	0.47%
Proportionate share of net pension liability	\$ 3,109,495	\$ 2,921,653	\$ 2,884,226	\$ 3,451,419	\$ 2,758,961	\$ 2,095,869
Covered employees' payroll	\$ 1,199,786	\$ 1,209,298	\$ 1,176,334	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Proportionate share of net pension liability as a percentage of covered employees' payroll	259.17%	241.60%	245.19%	291.61%	253.96%	217.57%
Plan fiduciary net position as a percentage of total pension liability	73.96%	74.76%	73.55%	68.16%	72.45%	76.02%

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CITY OF BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
MERS:						
Contractually required contribution	\$ 333,189	\$ 337,566	\$ 301,049	\$ 237,643	\$ 232,408	\$ 225,768
Contributions in relation to contractually required contribution	<u>333,189</u>	<u>337,566</u>	<u>301,049</u>	<u>237,643</u>	<u>232,408</u>	<u>225,768</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,281,496	\$ 1,363,902	\$ 1,323,556	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Contribution as a percentage of covered employees' payroll	26.00%	24.75%	22.75%	19.95%	19.87%	18.77%
MPERS:						
Contractually required contribution	\$ 255,176	\$ 264,607	\$ 268,240	\$ 231,782	\$ 227,601	\$ 263,017
Contributions in relation to contractually required contribution	<u>255,176</u>	<u>264,607</u>	<u>268,240</u>	<u>231,782</u>	<u>227,601</u>	<u>263,017</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 791,245	\$ 860,508	\$ 842,231	\$ 782,139	\$ 722,533	\$ 847,895
Contribution as a percentage of covered employees' payroll	32.25%	30.75%	31.85%	29.63%	31.50%	31.02%

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS (Continued)
Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
FRS:						
Contractually required contribution	\$ 318,041	\$ 320,464	\$ 296,781	\$ 324,213	\$ 317,766	\$ 272,133
Contributions in relation to contractually required contribution	<u>318,041</u>	<u>320,464</u>	<u>296,781</u>	<u>324,213</u>	<u>317,766</u>	<u>272,133</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,199,786	\$ 1,209,298	\$ 1,176,334	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Contribution as a percentage of covered employees' payroll	26.50%	26.50%	25.23%	27.39%	29.25%	28.25%

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CITY OF BASTROP, LOUISIANA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 345,316	\$ 318,552	\$ 309,724
Interest	367,300	429,970	488,690
Differences between actual and expected experience	(490,156)	156,730	98,351
Changes in assumptions/input	1,424,539	961,677	-
Benefit payments	<u>(587,630)</u>	<u>(663,881)</u>	<u>(698,956)</u>
Net change in total OPEB liability	\$ 1,059,369	\$ 1,203,048	\$ 197,359
Total OPEB liability - beginning	<u>14,940,336</u>	<u>13,737,288</u>	<u>13,539,929</u>
Total OPEB liability - ending	<u>\$ 15,999,705</u>	<u>\$ 14,940,336</u>	<u>\$ 13,737,288</u>
Covered employee payroll	\$ 3,068,249	\$ 3,066,212	\$ 2,976,905
Total OPEB liability as a percentage of covered employee payroll	521.5%	487.3%	461.5%

Notes to schedule:

There were no changes of benefit terms.

The following discount rates were used in each period:

2020	3.62%
2019	3.13%
2018	2.45%

The following mortality rates were used in each period:

2020	PubG.H-2010 Employee, Healthy Retiree, and Disabled Retiree, Generational with MP-2019
2019	PubG.H-2010 Employee, Healthy Retiree, and Disabled Retiree, Generational with MP-2018
2018	RPH-2014 Employee and Healthy Annuity, Generational with MP-2018

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2020

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Henry C. Cotton, Mayor	\$ 81,206
Robert Shaw, Alderman	10,291
Larry D. Prater, Alderman	10,291
Darry D. Green, Jr., Alderman	10,291
Howard D. Loche, Alderman	10,291
Angela Moore, Alderman	<u>7,124</u>
Total mayor's and aldermen's compensation	<u>\$ 129,494</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and For the Year Ended June 30, 2020

Agency Head Name: Henry C. Cotton, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 81,206
Auto allowance	7,200
Insurance	16,164
Retirement	<u>22,535</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 127,105</u>

CITY OF BASTROP, LOUISIANA

UNAUDITED

BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2020

ASSETS

Cash	\$ 4,885
Grant receivable	213,935
Due from General Fund	<u>13,110</u>
Total assets	<u>\$ 231,930</u>

LIABILITIES

Contracts payable	\$ 227,045
Due to General Fund	<u>4,885</u>
Total liabilities	<u>\$ 231,930</u>

CITY OF BASTROP, LOUISIANA

UNAUDITED

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CAPITAL PROJECTS FUND

As of and for the Year Ended June 30, 2020

Revenues:	
Grant proceeds	\$ 213,938
Local	142,425
Total revenues	<u>\$ 356,360</u>
Expenditures:	
Consultant	\$ 13,375
Engineering	77,940
Construction	258,860
Miscellaneous	6,185
Total expenditures	<u>\$ 356,360</u>
Net change in fund balance	\$ -
Fund balance - beginning	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>

HILL, INZINA & COMPANY

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

The Honorable Henry C. Cotton, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that are described in the accompanying schedule of findings and questioned costs as items 2020-1 and 2020-2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-3.

City's Responses to Findings

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

Purpose of this Report

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

This report is intended solely for the information and use of management, the council members, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

February 4, 2021

CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

As of and for the Year Ended June 30, 2020

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2020, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 4, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2020 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

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*

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2020-1 Inadequate Segregation of Duties (initially cited in fiscal year ended June 30, 1985)

Criteria: Local governments typically use the Green Book as a model for internal control.

Paragraph 10.13 of the Green Book reads in part, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk".

Condition: The performance of our audit procedures included (1) observance of management and employees; (2) inquiries of elected officials, management, employees, and citizens; and (3) tests of transactions.

Evidence obtained from these procedures indicated the following specific issues:

- Possible management override of controls
- Overall lack of adequate communication between officials, departments, and employees
- Lack of monitoring procedures.

Cause: The cause of the conditions were not definitely identified.

Effect: The environment may result in the City having a higher risk of errors, fraud, waste, and abuse. Poor communication limits the ability of employees to perform their assigned duties. Transactions may lack proper authorization or documentation of authorization. State laws and regulations along with the City's policies may be violated.

Recommendation: Specifically, management should make an effort to ensure that the City's internal control system is properly designed, implemented, and monitored.

Management's
response and
planned cor-
rective action:

See Mayor's letter dated March 31, 2021 attached hereto.

2020-2 Personnel Related Policies and Issues (initially cited in fiscal year ended June 30, 2016)

Criteria: Payroll is generally the largest expenditure of a governmental agency. Therefore, it is important that controls over payroll are in place and working properly. Good controls should include compliance with the City's written policies and procedures, curtailing excessive payroll related costs, and compliance with Article VII, Section 14 of the 1974 Louisiana State Constitution.

Condition: 1) In various pay periods during the years ended June 30, 2020, 2019, 2018, and 2017, some employees did not work sufficient hours per week to be considered full-time and to qualify for retirement, health insurance, and leave time but such benefits were paid on the employees' behalf.

2) As of June 30, 2020, three department heads had accumulated compensatory hours of 1,638 (50% of compensatory time earned by all employees as of June 30, 2020). If these employees were to have left employment of the City as of June 30, 2020, the City would have been obligated to pay approximately \$30,000 of additional wages to these three employees.

Effective January 1, 2020, management of the City adopted a formal policy limiting the maximum number of compensatory hours that may be accumulated to 480 hours. One of the three department heads, having 582.85 hours of available compensatory time on January 1, 2020, continued to earn compensatory time. The policy also stated that after an employee had earned more than 480 hours, the employee must take off any compensatory time earned before the end of the payroll period. This same department head took off no compensatory time between January 1, 2020 and June 30, 2020.

Cause:

1) Management of the City has allowed employees to continuously work less than sufficient hours to be considered full-time and continues to pay the personal benefits of each employee as if actually working full-time. The Mayor has been requested by the clerk on several occasions to personally address this matter with each employee that is working insufficient hours.

2) The Mayor is not requiring public works department heads and employees under their supervision to adhere to the City's current policies.

Effect:

1) The City is paying benefits on behalf of ineligible employees which is in violation of Article VII, Section 14.

2) The City is exposed to possibly paying large amounts of accumulated compensatory time upon an employee leaving the employment of the City.

Recommendations:

1) The Mayor should address this matter with each employee as has previously been requested by the clerk, whose office is responsible for paying the affected employees and their benefits.

2) The Mayor must insist on strict adherence to the City's adopted policies.

Management's response and planned corrective action:

See Mayor's letter dated March 31, 2021 attached hereto.

2020-3 Violation of Article VII, Section 14 of the Louisiana Constitution of 1974 (initially cited in fiscal year ended June 30, 2018)

Criteria: Article VII, Section 14 provides that funds, credit, property, or things of value of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations.

Condition: 1) As of June 30, 2020, \$51,413 was owed the City by the City Marshal's office for salary reimbursements dating back to August 2015.

Also owed the City as of the same date were property taxes, some delinquent as far back as the 2011 tax levy. Occupational licenses were delinquent for some businesses back to 2016.

2) The City's board of aldermen had approved giving newly hired police officers the \$500 monthly supplemental pay stipend until the State of Louisiana began paying the officers directly. One police officer was made aware of this practice and was informed that when the state money was received, it would need to be returned to the City. When this officer received \$6,000 from the state and upon the clerk's request for the money, the officer advised that he had spent it all. The Mayor advised the clerk to withhold on a monthly basis for 36 months to recoup the money so as to not "create an extreme hardship upon his family".

3) The same department head (mentioned in the second paragraph on page 70) was allowed by the Mayor to earn two hours minimum compensatory time when "called out" before or after normal work day hours.

Cause: 1) Sufficient effort is not being made by the City's administration to collect delinquent accounts. Current and previous administrations of the City have not encouraged the City's legal counsel to be proactive in the collection process (i.e., closing businesses, filing suits, etc.).

2) The Mayor has authorized for reimbursements owed by an employee to the City to be repaid over a period of 36 months instead of immediately when the employee actually received the total funds.

3) The Mayor is not requiring the public works department head to adhere to the City's current policies. The City's policy concerning compensatory time allows it to be earned for actual hours worked and documented on the time sheet.

Effect: All of these conditions are in violation of Article VII, Section 14 and may result in losses of assets. The Louisiana Attorney General has noted that payment for hours not actually worked may constitute a criminal violation of the Public Payroll Fraud Statute (R.S. 14:138).

Recommendation: 1) Delinquent accounts should be pursued vigorously for payment. A formal collection policy should be adopted.

2) Section 14 and related statutes should be reviewed by the City's legal counsel, management, and department heads.

3) Strict adherence should be mandated to comply with the City's current adopted policies and procedures relative to the earning and accumulation of compensatory time.

Management's response and planned corrective action: See Mayor's letter dated March 31, 2021 attached hereto.

Section III - Management Letter

None issued.

CITY OF BASTROP, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2020

Section II - Financial Statements Findings

2019-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2020-1.

2019-2 Personnel Related Policies and Issues

It is important that controls over payroll are in place and working properly.

Unresolved - 2020-2.

2019-3 Ethics Violations

One alderman reported no sources of employment or outside business interests.

The Mayor and one alderman did not have written certification that the required 2018 ethics training was taken.

City employees were not assessed fees or employees authorized no fees be charged to rent City-owned properties.

Resolved.

2019-4 Violation of Article VII, Section 14 of State Constitution

City Marshal's office owed City while property taxes and occupational licenses were also delinquent.

No fees were assessed to outside parties and City employees for rental of City-owned properties.

Public works employees were allowed to earn two hours minimum compensatory time when "called out" before or after normal work day hours.

Unresolved - 2020-3.

2019-5 Evidence Room

A recovered stolen handgun was not properly placed into evidence. The handgun went missing and was not located.

Resolved.

2019-6 Violation of State Statues

All annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Resolved.

Section III - Management Letter

None issued.



OFFICE OF THE MAYOR
Post Office Box 431
Bastrop, Louisiana 71221-0431

HENRY C. COTTON
MAYOR

March 31, 2021

Legislative Audit Advisory Council
Mr. Daryl G. Purpera
Legislative Auditor & Director of Advisory Council
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Audit Report, City of Bastrop Fiscal Year Ending June 30, 2020

Dear Mr. Purpera:

Please find the City of Bastrop's response to the Audit Report responses referenced above.

I trust the information provided fulfills your requirements as mandated by state law.

Respectfully submitted,

Honorable Henry C. Cotton - Mayor

Enclosure: Responses

2019-2020 Audit Report Responses:

We concur with the overall concerns expressed within the FY-2020 Audit Report. The City of Bastrop Administration will continue to research for specific evidence of shortcomings within our adherence to all lawful matters. We have, and will continue to, examine(d) all Policies and Procedures referenced within these findings and we will research all points within this Audit Report in order that the City of Bastrop will remain compliant, efficient, and productive in every way.

The City of Bastrop has 23 less employees today as it had on July 1, 2017. With ever rising operating cost, e.g. employee hourly pay increases (to remain relatively competitive with other public and private employers), health care benefit cost increases, increased utilities costs, etc. the City of Bastrop has experienced no decreases among employees whose job descriptions include direct fiscal functions. The City continues to make every attempt to comply with the segregation of duties. Still, budgetary constraints will not allow for complete segregation of duties and responsibilities in all areas of operations. The City continues to have goals for more division of responsibilities and separation of duties that would insure greater fiscal accountability as well as protect individual rights as required by local, state and federal laws.

There are no current employees working less than full time hours required in order to qualify for retirement, health insurance, and leave time but such benefits were paid on the employees' behalf.

during the years ended June 30, 2020, 2019, 2018, and 2017, some employees did not work sufficient hours per week to be considered full-time and to qualify for retirement, health insurance, and leave time but such benefits were paid on the employees' behalf.

Recalling the 2019 Audit Response statement relative to Division of Responsibilities:

We concur with the finding that the condition has existed and that it has taken an extended period of time to rectify.

The Mayor agrees that part-time employees should not be allowed to receive benefits that are only available for full-time employees.

The Mayor was made aware of this condition in October 2018. The Mayor followed up during FY-2019 to complete corrective action with these several employees. As stated in last year's response: "most all these employees have been working for the City of Bastrop for many years" and all, to the Mayor's knowledge, were performing work related task at a satisfactory level during the hours that they were at work. Of the approximately five employees who met this condition (not working at or above 32 hours per week on a consistent basis) only two employees are currently employed by the city. Only one of the two employees have not consistently achieved a minimum of 32 hours per week. The Mayor met with this lone employee who claimed extraordinary circumstances which causes periodic lapses in fulfilling the minimum 32 hours, and inability to work the standard 8 a.m. to 5 p.m. standard workday because of a chronic health issue.

Because benefits are provided to employees to help agencies maintain a productive, stable workforce. The Mayor has always been willing to strictly adhere to the policy that disqualifies this (these) critical employee(s) from receiving fulltime benefits upon the immediate supervisor's confirmation that the workplace can be maintained in as productive and stable manner should the employee resign upon being classified as part time with the loss of benefits. As a special note: The Mayor feels that the loss of this employee will negatively affect the city's ability to achieve the current level of segregation of duties essential to the proper internal control structure. The mayor based this conclusion upon the employees claim to a skillset unique to the department as well as overlapping skillset that serves as a backup to other department team members.

Based upon extremely poor attendance and lack of productivity evidence of the recent period, since the Mayor's interview with said employee, the Mayor has signed the reclassification documentation designating the employee as part time.

That lone employee has since resigned their position.

In the matter of the two department heads who accumulated an excess of compensatory time:

“As of June 30, 2020, three department heads had accumulated compensatory hours of 1,638 (50% of compensatory time earned by all employees as of June 30, 2020). If these employees were to have left employment of the City as of June 30, 2020, the City would have been obligated to pay approximately \$30,000 of additional wages to these three employees.”

One department head redeemed 56 hours of compensatory time between January 1, 2020 and June 30, 2020 as follows: March 11 – 12, 16 hours and March 19 – 19, 40 hours. Another department head redeemed 80 hours of compensatory time as follows: April 14 – 24, 80 hours and May 13 – 15, 24 hours. This employee has added 3 hours on November 23, 2020. The Mayor issued a memo directing these department heads to not classify any hours worked within a 40-hour work week as compensatory time. Any time worked over 40 hours within a seven-day work week should have been paid as overtime as the Mayor has previously directed.

Background from FY 2018 & FY 2019: “The Mayor expects the public works department to have at least one third of the compensatory time earned by city employees. Of the compensatory time earned by the public works department, the Mayor expects the two department heads to accrue a substantial percentage of that comp time simply because rank and file public works department employees are generally paid overtime as the extra hours work is accrued. Unlike department heads referred to above, rank and file public works employees receive full pay for regular hours as well as overtime hours during the current pay period.

Furthermore, extra hours worked by the two department heads is not without source documentation. The Mayor has not seen evidence of this condition and would ask the auditor to provide these specific documents that were reviewed. Upon receiving such documents, the Mayor has every confidence that other root source documentation exist that would easily provide an audit trail confirming the fact that all compensatory time earned by two public works department heads can be readily accessed to support the all comp time forms.

As examples of additional documentation that is available upon request are: photographs that are time stamped are required for every after-hour callout by public works employees. These photographs are encoded with metadata which provides date, time, and GPS location for each work incident, the majority of public works after hour callouts originate through the Bastrop Police Department. Even though the police department does not provide public works with an incident number for these callouts, the call record still exists as an ultimate callout initiation source document.

Going forward, the Mayor has directed and will ensure that all comp time forms will have a full explanation of the work performed, as well as sufficient detail for each specific incident requiring extra hours to be worked.

As expressed within FY2018’s and within FY2019’s Mayor’s response, the two public works department heads each worked 30 hours per week. Neither of the two department heads received any employee benefits e.g. municipal retirement, vacation pay, or personal time off. The Mayor feels that because each public works department head did not work fulltime, they were not entitled to compensatory pay (pay after 40 hours per week) their time that was classified as comp time should have been considered as deferred pay. This deferred pay should have been paid at regular pay up to the 40 hours per week as the Fair Labor Standards Act requires. The 10-hour difference between 40 full time hours and the actual 30 hours scheduled times 52 weeks would justify an accumulation of 1040 hours (520 hours each) for the fiscal year. Based upon the

demands of the two department heads' job responsibilities, the Mayor feels that this normal 2080 hours (each) of work and just compensation should not be here blown out of proportion with this distorted comp time analysis.

Since FY-2018, both public works department heads are now considered full time and working above the minimum required for full time employment status. As such, each of the two public works department heads now qualifies for all city employment benefits: vacation pay, municipal retirement, comp time, personal time off etc. The Mayor asserts that their last 19 month's comp accumulation has averaged 7 hours (each) monthly ***which is not excessive.***

The Mayor asked the clerk to pay the two public works department heads their deferred (currently classified as comp time) down to the 250 hours allowed under the FLSA. At the time of this request, the clerk replied that "the city did not have the money."

The Mayor signed the personnel policy which complies with the FLSA limitation of 240 hours of compensatory time. The Mayor will work with the City Clerk to formulate a plan to incentivize employees to take comp time hours that in in line with FLSA regulations as well as provide periodic comp time reduction payments as the budget allows.

The audit recommendations are so noted, and the Mayor will do all within his authority to rectify deficient practices as recommended.

City Marshal's Office financial obligation:

"As of June 30, 2020, \$51,413 was owed the City by the City Marshal's office for salary reimbursements dating back to August 2015."

The Bastrop City Marshal's Office has been operating under an extreme fiscal hardship for a number of years. Additionally, the Bastrop City Court is also not producing revenues as compared to previous years. Particularly after the COVID-19 Pandemic began, the average revenue that the Marshal's office has available does not come near to covering even the most basic expense of operating the office. The Mayor is renegotiating the Marshal's contract with the City with the ultimate goal of fiscal stabilization and to rectify this deficit.

Police Officer owing the City of Bastrop Louisiana.

"One police officer was made aware of this practice and was informed that when the state money was received, it would need to be returned to the City. When this officer received \$6,000 from the state and upon the clerk's request for the money, the officer advised that he had spent it all. The Mayor advised the clerk to withhold on a monthly basis for 36 months to recoup the money so as to not "create an extreme hardship upon his family".

Critical matters affecting Public Safety do not occur within sterile space. At 7:03 A.M. on December 17, 2020, a 911 Aggravated Assault with a Firearm call came into the Morehouse Parish Sheriff's Office stating that her son was trying to kill her and hung up the phone. The first officer on the scene was a young patrolman from the City of Bastrop Police Department. As he approached the victim's home, he was met first by a mother who indicated that her son was beating me up, trying to kill her. Immediately an individual as her son came running out of the house with a revolver in his hand. The patrolman drew his duty weapon and backed away from the son while shouting commands for him to drop the weapon. The officer first retreated to his service vehicle and then a telephone pole at which time the woman's son pointed the revolver at him. The patrolman fired two shots, missing one and striking the woman's son in the upper left thigh area with the other shot.

Many officers commended the patrolman for maintaining his composure as many indicated that they may have chosen a more extreme measure. The man was treated at a hospital and his life was spared because of fine police work. That patrol officer is the subject of this finding.

Pay levels for policemen within the department is among the lowest within the Northeast Louisiana area. The City of Bastrop has a severe shortage of P.O.S.T. Certified police officers employed. Because of this shortage, there are only three police officers assigned to each 12-hour shift: a captain (\$16.20/hr.), a sergeant (\$14.91/hr.), and a patrolman (\$13.12/hr.). Whenever a patrolman cannot fulfill his shift assignment, he is replaced by an off-duty sergeant or captain to perform his assigned duties. A higher-ranking officer working in a patrolman's assigned slot results in overtime pay costing the City of Bastrop a minimum of \$11.18 per hour more for the Captain to become that 3rd officer on another captain's shift than if the patrolman in question here was able to remain employed by the city and fulfill his duties as the sole patrolman on that shift. The patrolman would earn 13.12 per hour (less benefits and state pay) whereas the fill-in captain would earn \$24.30 per hour (less benefits and state pay). Therefore every hour that the patrolman (who was allowed to continue to work and having the \$6,000 withheld over time to repay the City of Bastrop) continues to work, his continued employment saves the city a minimum of \$11.18 per hour over what would be paid the captain working in the vacated position.

This hourly savings of \$11.18 means that after only 537 hours the savings would be \$6,000. Clearly after 3 months of this patrolman leaving the City of Bastrop's Police Department, the City would spend much more than \$6,000 for each per 3-month period until a replacement patrolman is hired. Over a 36-month period of the patrolman's repayment deductions, the savings to the City of Bastrop would mount to a minimum of \$76,000 in overtime cost alone.

Additionally, based upon the patrolman's evaluation of "sufficient", and having never been reprimanded for any employment related conduct, aided in the Mayor's decision to keep the employee within the fold is more than cost justified.

Even though the Mayor indicated that forcing the patrolman to pay all the monies owed to the City of Bastrop immediately would create a "hardship upon his family", the Mayor knew that losing an otherwise fine police officer at the patrolman level would create more of an economic hardship upon the City of Bastrop's finances. The termination of said patrolman would have also places more mental and emotional stress upon and already burdened police force. The Mayor feels that he made the correct decision.

Delinquent accounts should be pursued vigorously for payment. A formal collection policy should be adopted.

The Mayor has directed the City Attorney to vigorously pursue delinquent accounts from every source. When the COVID-19 Pandemic broke out, the city realized that businesses were in need of assistance, therefore the city pursued funding itself under the CARES ACT. The city did not cease collection efforts, however many of these old accounts are uncollectable.

The Mayor will make all necessary actions to correct any and all deficiencies (whether directly addressed or not directly addressed within this response narrative) contained within this Audit Report within the next sixty to ninety days. Policies and Procedures will be adopted as recommend. As stated above, the Administration will also develop comprehensive police deviation guidelines as time permits.