

**City of Springhill  
Springhill, Louisiana**

**Financial Statements with Auditors' Report**

**As of and For the Year Ended June 30, 2022**

City of Springhill  
Springhill, Louisiana

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## Independent Auditors' Report

The Honorable W. Ray Huddleston, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Adverse and Unmodified Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Springhill's basic financial statements as listed in the table of contents.

#### ***Adverse Opinion on Aggregate Discretely Presented Component Units***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Springhill, as of June 30, 2022 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Adverse and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Springhill, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

### *Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for the City of Springhill's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City of Springhill's primary government unless the City of Springhill also issued financial statements for the financial reporting entity that include the financial data for its component units. The City of Springhill has not issued such reporting entity financial statements. The effects of not including the City of Springhill's legally separate component units on the aggregate discretely presented component units has not been determined.

### ***Emphasis of Matter - Change in Accounting Principle***

As described in Note 18 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Springhill's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Springhill's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Springhill's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 11, budgetary comparison information on pages 59-60, the Schedule of Contributions on page 62, and the Schedule of Proportionate Share of Net Pension Liability on page 61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springhill's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 63 - 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. As disclosed in Note 1 to the financial statements, the City prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The other supplementary information schedules, Justice System Funding Schedules, shown on pages 71-72, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules are presented to satisfy the requirements of Act 87 of the 2020 Regular Legislative Session (R.S. 24:515.2) and must be presented on the cash basis of accounting which differs significantly from those principles used to present financial statements in accordance with accounting principles generally accepted in the United States of America. The information is the responsibility of management and was 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 Justice System Funding Schedules, shown on pages 71-72, are fairly stated in all material respects, in relation to the 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 December 21, 2022, on our consideration of the City of Springhill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Springhill'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 of Springhill's internal control over financial reporting and compliance.



Cook & Morehart  
Certified Public Accountants  
December 21, 2022

# CITY OF SPRINGHILL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Springhill's financial performance provides an overview of the City of Springhill's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's financial statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- The City of Springhill's net position of our governmental activities increased by \$653,333 or 5%.
- The City of Springhill's net position of our business-type activities decreased by \$46,442 or 1%.
- In the City's governmental activities, total general and program revenues were \$5,418,643 in 2022 compared to \$4,808,873 in 2021. Total expenses, excluding depreciation, totaled \$3,675,663 for the year ended June 30, 2022 compared to \$3,500,958 for 2021.
- In the City's business-type activities, revenues increased by \$93,967 or 4% due in part to increased charges for services.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City of Springhill as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Springhill's operations in more detail than the government-wide statements by providing information about the City of Springhill's most significant funds.

### Reporting the City of Springhill as a Whole

Our analysis of the City of Springhill as a whole begins on page 12. One of the most important questions asked about the City of Springhill's finances is "Is the City of Springhill as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the City of Springhill as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City of Springhill's *net position* and changes in them. You can think of the City of Springhill's net position – the difference between assets and liabilities – as one way to measure the City of Springhill's financial health, or *financial position*. Over time, *increases* or *decreases* in the City of Springhill's net position is one indicator of whether its *financial health* is improving or

deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

The Springhill City Court and Ward 2 Marshal were determined to be component units of the City. Complete financial statements of the individual component units may be obtained from their respective administration offices or from the City of Springhill. The City has chosen to issue financial statements of the primary government (City) only; therefore, the previously listed component units are not included in the accompanying financial statements.

### **Reporting the City's Most Significant Funds**

Our analysis of the major funds maintained by the City of Springhill begins on page 14. The fund financial statements begin on page 14 and provide detailed information about the most significant funds maintained by the City of Springhill – not the City of Springhill as a whole. The City of Springhill's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the City of Springhill's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City of Springhill's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City of Springhill expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## THE CITY OF SPRINGHILL AS A WHOLE

The City of Springhill's combined net position changed from a year ago, increasing from \$25,347,868 (as restated) to \$25,954,759. A comparative analysis of the funds maintained by the City of Springhill is presented below.

**Table 1**  
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 7,682,970	\$ 7,150,713	\$ 4,004,814	\$ 3,597,996	\$ 11,687,784	\$ 10,748,709
Capital assets	12,575,751	12,866,728	18,396,172	18,596,108	30,971,923	31,462,836
Total Assets	<u>20,258,721</u>	<u>20,017,441</u>	<u>22,400,986</u>	<u>22,194,104</u>	<u>42,659,707</u>	<u>42,211,545</u>
Deferred outflows of Resources	<u>592,834</u>	<u>954,843</u>	<u>88,260</u>	<u>158,624</u>	<u>681,094</u>	<u>1,113,467</u>
Current liabilities	299,777	245,029	1,262,215	408,868	1,561,992	653,897
Long-term liabilities	5,586,501	7,056,824	9,179,203	9,990,378	14,765,704	17,047,202
Total Liabilities	<u>5,886,278</u>	<u>7,301,853</u>	<u>10,441,418</u>	<u>10,399,246</u>	<u>16,327,696</u>	<u>17,701,099</u>
Deferred inflows of resources	<u>893,761</u>	<u>248,673</u>	<u>164,585</u>	<u>23,797</u>	<u>1,058,346</u>	<u>272,470</u>
Net Position						
Net investment in capital assets	8,587,938	8,626,728	10,743,344	9,276,097	19,331,282	17,902,825
Restricted	5,362,032	5,086,980	582,941	585,514	5,944,973	5,672,494
Unrestricted	121,546	(291,950)	556,958	2,068,074	678,504	1,776,124
Total Net Position	<u>\$ 14,071,516</u>	<u>\$ 13,421,758</u>	<u>\$ 11,883,243</u>	<u>\$ 11,929,685</u>	<u>\$ 25,954,759</u>	<u>\$ 25,351,443</u>

Net position of the City of Springhill's governmental activities increased by \$653,333 or 5%. Net position of the City of Springhill's business-type activities decreased by \$46,442 or 1%.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
<b>Programs Revenues</b>						
Charges for services	\$ 664,606	\$ 563,082	\$ 2,136,384	\$ 2,112,359	\$ 2,800,990	\$ 2,675,441
Operating grants and contributions	207,337	194,279			207,337	194,279
Capital grants and contributions	601,496	248,159	295,466	268,244	896,962	516,403
<b>General Revenues</b>						
Ad valorem taxes	173,124	234,518			173,124	234,518
Sales taxes	2,999,390	2,878,379			2,999,390	2,878,379
Franchise taxes	174,674	128,975			174,674	128,975
Other taxes	8,545	7,460			8,545	7,460
Gaming taxes	435,776	377,532			435,776	377,532
Oil and gas	17,684	9,032			17,684	9,032
Investment earnings	14,599	21,853	5,785	3,843	20,384	25,696
Miscellaneous	121,412	145,604	97,578	56,799	218,990	202,403
<b>Total Revenues</b>	<b>5,418,643</b>	<b>4,808,873</b>	<b>2,535,213</b>	<b>2,441,245</b>	<b>7,953,856</b>	<b>7,250,118</b>
<b>Expenses</b>						
General government	801,375	665,544			801,375	665,544
Public safety	1,393,315	1,517,339			1,393,315	1,517,339
Parks and recreation	209,934	194,900			209,934	194,900
Waste collection services	339,959	284,585			339,959	284,585
Streets	1,002,998	930,973			1,002,998	930,973
Airport	240,904	217,383			240,904	217,383
Transportation	23,693	34,444			23,693	34,444
Maintenance	91,620	96,412			91,620	96,412
Ward court	193,431	195,311			193,431	195,311
Driver's license bureau	10,439	6,866			10,439	6,866
Interest on long term debt	115,642	122,340			115,642	122,340
Water and sewer			2,710,453	3,161,469	2,710,453	3,161,469
Community activities			181,644	177,889	181,644	177,889
Cemetery			31,558	29,470	31,558	29,470
<b>Total Expenses</b>	<b>4,423,310</b>	<b>4,266,097</b>	<b>2,923,655</b>	<b>3,368,828</b>	<b>7,346,965</b>	<b>7,634,925</b>
Transfers	(342,000)	(142,037)	342,000	142,037		
<b>Increase (decrease) in net position</b>	<b>\$ 653,333</b>	<b>\$ 400,739</b>	<b>\$ (46,442)</b>	<b>\$ (785,546)</b>	<b>\$ 606,891</b>	<b>\$ (384,807)</b>

The City's total revenues increased \$703,738 or 10% due in part to an increase in sales taxes and capital grants & contributions. The total cost of all programs and services decreased \$287,960 or 4% from 2021 to 2022. Our analysis below separately considers the operations of the governmental and business-type activities.

## **Governmental Activities**

Total revenues for the governmental activities increased \$609,770 from total revenues in the year ended June 30, 2021 of \$4,808,873 to total revenues of \$5,418,643 in the year ended June 30, 2022.

The cost of all governmental activities this year was \$4,423,310. These costs were covered by \$1,473,439 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

## **Business-type Activities**

Total revenues for the business-type activities increased \$93,968 or 4% from total revenues in the year ended June 30, 2021 of \$2,441,245 to total revenues of \$2,535,213 in the year ended June 30, 2022.

The cost of all business-type activities this year was \$2,923,655. These costs were covered in part by \$2,431,850 of program revenues, consisting of charges for services assessed to users and capital grants.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a *combined* fund balance of \$7,378,135, which is more than last year's fund balance of \$6,953,882. The primary reason for this increase is an increase in capital contributions - grants as a result of an airport project.

## **General Fund Budgetary Highlights**

The City adopted a budget for its General Fund for the year ended June 30, 2022. There was one amendment to the budget during the year. The City's budgetary comparison is presented as required supplementary information and shown on page 59. Highlights for the year are as follows:

- Actual revenues exceeded budgeted amounts by \$281,015.
- Actual expenditures were less than budgeted amounts by \$46,925.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2022 and 2021, the City of Springhill had invested \$30,971,923 and \$31,462,836, respectively in capital assets. (see table 3 below)

**Table 3**  
**Capital Assets At Year End**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 525,294	\$ 525,294	\$ 48,490	\$ 48,490	\$ 573,784	\$ 573,784
Construction in progress	666,200	102,764	1,093,110	562,970	1,759,310	665,734
Buildings	2,455,021	2,713,972	1,070,516	1,121,585	3,525,537	3,835,557
Infrastructure	8,032,900	8,579,076			8,032,900	8,579,076
Improvements other than buildings	634,995	679,158		4,621	634,995	683,779
Equipment	233,279	266,464	145,847	153,226	379,126	419,690
Leased Equipment	28,062				28,062	
Vehicles			16,625	35,007	16,625	35,007
Sewer system			3,484,111	3,748,890	3,484,111	3,748,890
Water system			12,537,473	12,921,319	12,537,473	12,921,319
Total assets(net)	<u>\$ 12,575,751</u>	<u>\$ 12,866,728</u>	<u>\$ 18,396,172</u>	<u>\$ 18,596,108</u>	<u>\$ 30,971,923</u>	<u>\$ 31,462,836</u>

This years major additions included:

Construction in progress	\$ 563,436	\$ 648,074
Water system		267,068
Equipment	29,999	14,769
Total	<u>\$ 593,435</u>	<u>\$ 929,911</u>

More detailed information about the capital assets are presented in Note 5 to the financial statements.

**Debt**

At year-end, the City had \$14,765,704 in bonds, notes, and other long-term liabilities outstanding, versus \$17,047,202 last year – a decrease of 13%.

**Table 4  
Outstanding Debt At Year End**

	Governmental Activities		Business-type Activity		Totals	
	2022	2021	2022	2021	2022	2021
Net pension liability	\$ 1,560,435	\$ 2,788,099	\$ 381,597	\$ 670,367	\$ 1,942,032	\$ 3,458,466
Sales tax bonds	3,955,000	4,240,000			3,955,000	4,240,000
General obligation bonds						
Leased Equipment	32,813				32,813	
Compensated absences	38,253	28,725			38,253	28,725
Water revenue bonds			8,797,606	9,320,011	8,797,606	9,320,011
	<u>\$ 5,586,501</u>	<u>\$ 7,056,824</u>	<u>\$ 9,179,203</u>	<u>\$ 9,990,378</u>	<u>\$ 14,765,704</u>	<u>\$ 17,047,202</u>

State law restricts the amount of debt that the City of Springhill may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The City of Springhill’s total debt outstanding at year-end was below this limitation.

More detailed information about the debt is presented in Note 10 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

The City of Springhill’s management considered many factors when setting a fiscal year June 30, 2023 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same.

Expenditures for 2023 are expected to remain substantially the same.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City of Springhill and to show the City of Springhill’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at City of Springhill, 101 Machen Dr.; Springhill, La 71075.

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
June 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,652,237	\$ 1,587,304	\$ 6,239,541
Restricted cash and cash equivalents		706,904	706,904
Investments	1,564,610	1,746,191	3,310,801
Restricted investments	321,530	76,534	398,064
Prepays	123,699	87,199	210,898
Receivables, net	502,675	265,114	767,789
Inventories	4,207	49,580	53,787
Internal balances	514,012	(514,012)	
Capital assets not being depreciated	1,191,494	1,141,600	2,333,094
Capital assets, net	11,384,257	17,254,572	28,638,829
<b>Total assets</b>	<u>20,258,721</u>	<u>22,400,986</u>	<u>42,659,707</u>
<b>Deferred Outflows of Resources</b>			
Pension related	592,834	88,260	681,094
<b>Liabilities</b>			
Accounts payable and accrued expenses	299,777	179,250	479,027
Payable from restricted assets:			
Customer deposits		200,497	200,497
Unearned revenue		882,468	882,468
Non-current liabilities:			
Due within one year	330,136	535,478	865,614
Due in more than one year	5,256,365	8,643,725	13,900,090
<b>Total liabilities</b>	<u>5,886,278</u>	<u>10,441,418</u>	<u>16,327,696</u>
<b>Deferred Inflows of Resources</b>			
Leased buildings	50,800		50,800
Pension related	842,961	164,585	1,007,546
<b>Total deferred inflows of resources</b>	<u>893,761</u>	<u>164,585</u>	<u>1,058,346</u>
<b>Net Position</b>			
Net investment in capital assets	8,587,938	10,743,344	19,331,282
Restricted for:			
Debt service	275,788	582,941	858,729
Capital improvements	3,217,135		3,217,135
Public safety	18,109		18,109
Sewer, water, garbage, public safety, parks and recreation, and streets	1,851,000		1,851,000
Unrestricted	121,546	556,958	678,504
<b>Total net position</b>	<u>\$ 14,071,516</u>	<u>\$ 11,883,243</u>	<u>\$ 25,954,759</u>

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

City of Springhill  
Springhill, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2022

Functions / Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 801,375	\$ 237,147	\$ 21,555	\$	\$ (542,673)	\$	\$ (542,673)
Public safety	1,393,315	82,335	152,422		(1,158,558)		(1,158,558)
Parks and recreation	209,934				(209,934)		(209,934)
Waste collection services	339,959	329,754			(10,205)		(10,205)
Streets	1,002,998		7,360		(995,638)		(995,638)
Airport	240,904	6,815	20,000	601,496	387,407		387,407
Transportation	23,693				(23,693)		(23,693)
Maintenance	91,620				(91,620)		(91,620)
Ward court	193,431		6,000		(187,431)		(187,431)
Driver's license bureau	10,439	8,555			(1,884)		(1,884)
Interest on long-term debt	115,642				(115,642)		(115,642)
<b>Total governmental activities</b>	<b>4,423,310</b>	<b>664,606</b>	<b>207,337</b>	<b>601,496</b>	<b>(2,949,871)</b>		<b>(2,949,871)</b>
<b>Business-type Activities</b>							
Water and sewer	2,710,453	2,044,479		295,466		(370,508)	(370,508)
Community activities	181,644	51,495				(130,149)	(130,149)
Cemetery	31,558	40,410				8,852	8,852
<b>Total business-type activities</b>	<b>2,923,655</b>	<b>2,136,384</b>		<b>295,466</b>		<b>(491,805)</b>	<b>(491,805)</b>
<b>Total Government</b>	<b>\$ 7,346,965</b>	<b>\$ 2,800,990</b>	<b>\$ 207,337</b>	<b>\$ 896,962</b>	<b>(2,949,871)</b>	<b>(491,805)</b>	<b>(3,441,676)</b>
			<b>General revenues:</b>				
			Ad valorem taxes		173,124		173,124
			Sales taxes		2,999,390		2,999,390
			Franchise taxes		174,674		174,674
			Other taxes		8,545		8,545
			Gaming taxes		435,776		435,776
			Oil and gas		17,684		17,684
			Investment earnings		14,599	5,785	20,384
			Miscellaneous		121,412	97,578	218,990
			Transfers		(342,000)	342,000	
			<b>Total general revenues and transfers</b>		<b>3,603,204</b>	<b>445,363</b>	<b>4,048,567</b>
			Change in net position		653,333	(46,442)	606,891
			Net position - beginning, restated		13,418,183	11,929,685	25,347,868
			Net position - ending		<b>\$ 14,071,516</b>	<b>\$ 11,883,243</b>	<b>\$ 25,954,759</b>

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

City of Springhill  
Springhill, Louisiana  
Balance Sheet  
Governmental Funds  
June 30, 2022

	General Fund	Sales Tax	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 648,849	\$ 4,003,388	\$	\$ 4,652,237
Investments	1,164,610	400,000		1,564,610
Restricted investments			321,530	321,530
Receivables, net	236,704	265,971		502,675
Inventory	4,207			4,207
Prepaid	123,699			123,699
Due from other funds	111,820	402,500		514,320
Total assets	<u>\$ 2,289,889</u>	<u>\$ 5,071,859</u>	<u>\$ 321,530</u>	<u>\$ 7,683,278</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 240,618	\$ 3,724	\$	\$ 244,342
Bond due to city court	9,693			9,693
Due to other funds	308			308
Total liabilities	<u>250,619</u>	<u>3,724</u>		<u>254,343</u>
<b>Deferred inflows of resources</b>				
Leased buildings	50,800			50,800
Total deferred inflows of resources	<u>50,800</u>			<u>50,800</u>
<b>Fund balances:</b>				
Nonspendable	127,906			127,906
Restricted	18,109	5,068,135	321,530	5,407,774
Assigned	538,607			538,607
Unassigned	1,303,848			1,303,848
Total fund balances	<u>1,988,470</u>	<u>5,068,135</u>	<u>321,530</u>	<u>7,378,135</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,289,889</u>	<u>\$ 5,071,859</u>	<u>\$ 321,530</u>	<u>\$ 7,683,278</u>

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

City of Springhill  
Springhill, Louisiana  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2022

Fund balances - total governmental funds	\$	7,378,135
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		12,575,751
<p>Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.</p>		
Deferred outflows - pension related		592,834
<p>Long-term liabilities and other amounts are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable		(3,955,000)
Lease liability		(32,813)
Accrued interest		(45,742)
Compensated absences		(38,253)
Net pension liability		(1,560,435)
Deferred inflows - pension related		(842,961)
		14,071,516
Net position of governmental activities	\$	14,071,516

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

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General Fund	Sales Tax	Other Governmental Funds	Totals
<b>Revenues:</b>				
Ad valorem taxes	\$ 173,124	\$	\$	\$ 173,124
Sales tax		2,999,390		2,999,390
Franchise taxes	174,674			174,674
Other taxes	8,545			8,545
Licenses and permits	224,875			224,875
Waste collection services	329,754			329,754
Gaming taxes	435,776			435,776
Intergovernmental revenues	755,545			755,545
Fines and forfeitures	82,335			82,335
Investment earnings	4,706	9,804	89	14,599
Rental of facilities	27,642			27,642
Oil and gas	17,684			17,684
Miscellaneous	119,911			119,911
Total revenues	<u>2,354,571</u>	<u>3,009,194</u>	<u>89</u>	<u>5,363,854</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	983,735	42,321		1,026,056
Public safety	1,453,238			1,453,238
Parks and recreation	120,784			120,784
Streets	608,722			608,722
Airport	81,885			81,885
Ward court	206,614			206,614
Transportation	28,924			28,924
Maintenance	97,531			97,531
Driver license bureau	10,439			10,439
Capital outlay	593,435			593,435
<b>Debt service:</b>				
Principal retirement			285,000	285,000
Interest and other charges			117,473	117,473
Total expenditures	<u>4,185,307</u>	<u>42,321</u>	<u>402,473</u>	<u>4,630,101</u>
Excess (deficiency) of revenues over expenditures	(1,830,736)	2,966,873	(402,384)	733,753
<b>Other financing sources (uses):</b>				
Transfers in	1,968,000		401,030	2,369,030
Transfers out		(2,711,030)		(2,711,030)
Sales of assets	32,500			32,500
Total other financing sources (uses)	<u>2,000,500</u>	<u>(2,711,030)</u>	<u>401,030</u>	<u>(309,500)</u>
Net change in fund balance	169,764	255,843	(1,354)	424,253
Fund balances at beginning of year	<u>1,818,706</u>	<u>4,812,292</u>	<u>322,884</u>	<u>6,953,882</u>
Fund balances at end of year	<u>\$ 1,988,470</u>	<u>\$ 5,068,135</u>	<u>\$ 321,530</u>	<u>\$ 7,378,135</u>

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

City of Springhill  
Springhill, Louisiana  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$	424,253
Amounts reported for governmental activities in the 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/amortization (\$747,647) exceeded capital outlays (\$593,435) in the current period.		(154,212)
The net effect of various transactions involving capital assets (sales, trade-ins, donated infrastructure, etc.) is to decrease net position.		(172,813)
The repayment of principal of long-term debt consumes current financial resources of governmental funds.		
Revenue bonds		285,000
Lease liability		4,895
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities		
Non-employer contributions to cost-sharing pension plan		53,289
Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities, but does not require the use of financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		2,454
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Compensated absences		(9,525)
Pension expense		219,992
		219,992
Change in net position of governmental activities	\$	653,333

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

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
Proprietary Funds  
June 30, 2022

	Business-type Activities - Enterprise Funds		Totals
	Water and Sewer Fund	Other Enterprise Funds	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,271,709	\$ 315,595	\$ 1,587,304
Restricted cash and cash equivalents	123,963		123,963
Investments	1,746,191		1,746,191
Restricted investments	60,000	16,534	76,534
Accounts receivable, net	246,540	18,574	265,114
Inventories		49,580	49,580
Prepays	79,161	8,038	87,199
Due from other funds		352	352
Total current assets	3,527,564	408,673	3,936,237
Noncurrent assets:			
Restricted cash and cash equivalents	582,941		582,941
Capital assets:			
Land	48,490		48,490
Construction in progress	1,093,110		1,093,110
Plant and equipment	31,600,578	2,732,067	34,332,645
Less: accumulated depreciation	(15,490,783)	(1,587,290)	(17,078,073)
Total noncurrent assets	17,834,336	1,144,777	18,979,113
Total assets	21,361,900	1,553,450	22,915,350
Deferred Outflows of Resources			
Pension related	88,260		88,260
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	149,311	9,218	158,529
Due to other funds	511,249	3,115	514,364
Payable from restricted assets:			
Revenue bonds	535,478		535,478
Accrued interest	20,721		20,721
Customer deposits	200,497		200,497
Unearned revenue	882,468		882,468
Total current liabilities	2,299,724	12,333	2,312,057
Noncurrent liabilities:			
Net pension liability	381,597		381,597
Revenue bonds	8,262,128		8,262,128
Total noncurrent liabilities	8,643,725		8,643,725
Total liabilities	10,943,449	12,333	10,955,782
Deferred Inflows of Resources			
Pension related	164,585		164,585
Total deferred inflows or resources	164,585		164,585
<b>Net position</b>			
Net investment in capital assets	9,598,567	1,144,777	10,743,344
Restricted for:			
Debt service	582,941		582,941
Unrestricted	160,618	396,340	556,958
Total net position	\$ 10,342,126	\$ 1,541,117	\$ 11,883,243

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

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2022

	<u>Business-type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Water and Sewer Fund</u>	<u>Other Enterprise Funds</u>	
Operating revenues:			
Charges for service -			
Water sales	\$ 1,145,147	\$	\$ 1,145,147
Sewerage service charges	899,332		899,332
Cemetery assessments		25,285	25,285
Sale of cemetery lots		15,125	15,125
Rental of facilities		51,495	51,495
Miscellaneous	93,458	4,120	97,578
Total operating revenues	<u>2,137,937</u>	<u>96,025</u>	<u>2,233,962</u>
Operating expenses:			
Cost of sales and service		3,764	3,764
Water services	764,762		764,762
Sewer services	530,430		530,430
Community activities		121,802	121,802
Cemetery maintenance		16,909	16,909
General and administrative	82,647	9,397	92,044
Depreciation	1,068,517	61,330	1,129,847
Total operating expenses	<u>2,446,356</u>	<u>213,202</u>	<u>2,659,558</u>
Operating income (loss)	<u>(308,419)</u>	<u>(117,177)</u>	<u>(425,596)</u>
Non-operating revenues (expenses):			
Interest income	5,363	422	5,785
Interest expense	(264,097)		(264,097)
Total non-operating revenues (expenses)	<u>(258,734)</u>	<u>422</u>	<u>(258,312)</u>
Change in net position before contributions and transfers	(567,153)	(116,755)	(683,908)
Capital contributions	295,466		295,466
Transfers in	300,000	60,000	360,000
Transfers out		(18,000)	(18,000)
Change in net position	<u>28,313</u>	<u>(74,755)</u>	<u>(46,442)</u>
Net position - beginning of year	<u>10,313,813</u>	<u>1,615,872</u>	<u>11,929,685</u>
Net position - end of year	<u>\$ 10,342,126</u>	<u>\$ 1,541,117</u>	<u>\$ 11,883,243</u>

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

City of Springhill  
Springhill, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2022

	Water and Sewer	Non Major Funds	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 2,079,869	\$ 89,865	\$ 2,169,734
Other receipts	93,457	7,804	101,261
Cash payments to suppliers for goods and services	(1,053,539)	(133,736)	(1,187,275)
Cash payments to employees for services	(470,865)		(470,865)
Net Cash From (Used By) Operating Activities	<u>648,922</u>	<u>(36,067)</u>	<u>612,855</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund loans	278,186	(1,055)	277,131
Grant income	882,468		882,468
Transfers from other funds	300,000	60,000	360,000
Transfers to other funds		(18,000)	(18,000)
Net Cash From Noncapital Financing Activities	<u>1,460,654</u>	<u>40,945</u>	<u>1,501,599</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital Contributions	416,098		416,098
Acquisition/construction of capital assets	(847,606)	(14,769)	(862,375)
Principal paid on capital debt	(522,406)		(522,406)
Interest paid on capital debt	(266,033)		(266,033)
Net Cash (Used By) Capital and Related Financing Activities	<u>(1,219,947)</u>	<u>(14,769)</u>	<u>(1,234,716)</u>
<b>Cash Flow From Investing Activities</b>			
Interest income	5,363	422	5,785
Sale of investments	118,783	(98)	118,685
Net Cash From Investing Activities	<u>124,146</u>	<u>324</u>	<u>124,470</u>
Net increase (decrease) in cash and cash equivalents	1,013,775	(9,567)	1,004,208
Cash, Beginning of year	<u>964,838</u>	<u>325,162</u>	<u>1,290,000</u>
Cash, End of year	<u>\$ 1,978,613</u>	<u>\$ 315,595</u>	<u>\$ 2,294,208</u>
Cash and cash equivalents are reflected on the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 1,271,709	\$ 315,595	\$ 1,587,304
Cash and cash equivalents - restricted	706,904		706,904
Total	<u>\$ 1,978,613</u>	<u>\$ 315,595</u>	<u>\$ 2,294,208</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By/(Used In) Operating Activities</b>			
Operating income (loss)	\$ (308,419)	\$ (117,177)	\$ (425,596)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	1,068,517	61,330	1,129,847
Accounts receivable	23,514	(2,040)	21,474
Prepaid expenses	38,129	17,655	55,784
Inventories		3,684	3,684
Accounts payable	(106,883)	481	(106,402)
Customer deposits	11,875		11,875
Pension related	(77,811)		(77,811)
Net Cash Flows From (Used By) Operating Activities	<u>\$ 648,922</u>	<u>\$ (36,067)</u>	<u>\$ 612,855</u>
<b>Noncash Capital Financing Activities:</b>			
Acquisition of property			
Acquisition/construction of capital assets	\$ 915,142	\$ 14,769	\$ 929,911
Vendor payable for property and equipment	(67,536)		(67,536)
Cash used to acquire/construct capital assets	<u>\$ 847,606</u>	<u>\$ 14,769</u>	<u>\$ 862,375</u>

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

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022

## INTRODUCTION

The City of Springhill is incorporated under the provisions of the Lawrason Act. The City operates under a Mayor–Board of Aldermen form of government. Elected officials of the City consist of the mayor, five (5) aldermen, and the chief of police, who are elected to four-year terms. The affairs of the City are conducted and managed by the mayor and the board of aldermen.

### (1) Summary of Significant Accounting Policies

The City of Springhill's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City of Springhill are discussed below.

#### A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the City of Springhill for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, the following were determined to be component units of the City: Springhill City Court and Ward 2 Marshal.

Complete financial statements of the individual component units may be obtained from their respective administration offices or from the City of Springhill.

The City has chosen to issue financial statements of the primary government (City) only; therefore, the previously listed component units are not included in the accompanying financial statements.

The Governmental Accounting Standards Board provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (City).

**B. Basic Financial Statements – Government-Wide Statements**

The City of Springhill's basic financial statements include both government-wide (reporting the funds maintained by the City of Springhill as a whole) and fund financial statements (reporting the City of Springhill's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general fund, sales tax fund, and debt service funds are classified as governmental activities. The City's water and sewer services, cemetery fund, and community activities fund are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The City of Springhill's net position is reported in three parts – net invested in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City of Springhill's functions. The functions are also supported by general government revenues

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

(property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants.

Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City of Springhill as an entity and the change in the City of Springhill's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City of Springhill are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City of Springhill:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City of Springhill:
  - a. General fund is the general operating fund of the City of Springhill. It is used to account for all financial resources except those required to be accounted for in another fund.
  - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City sales tax fund is classified as a special revenue fund.

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- c. Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The City's 2014 sales tax bonds, 2015 sales tax bonds, and 2016 sales tax bonds funds are considered debt service funds.
  - d. Capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City of Springhill:
- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's water/sewer fund, cemetery fund, and community activities fund are classified as enterprise funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales tax fund – accounts for the proceeds of a 2 1/2 % sales and use tax that is legally restricted for the purposes of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public, the payment of salaries on non-elected municipal employees, police department stations and related facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements, or for any one or more of said purposes.

Water and sewer fund – accounts for the provision of water and sewerage services to the residents of the City.

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Notes to Financial Statements  
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D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgets

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

1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.
2. Budgets are adopted on a line item basis. Administrative adjustments can be made on a departmental basis between line item accounts only. Inter-departmental amendments, interfund amendments, and additional appropriations from one fund to another are subject to board approval. The overall level of control is on an inter-departmental basis.
3. Unused appropriations of all of the annually budgeted funds lapse at the end of the fiscal year.
4. Budgets for all funds are adopted on a basis consistent with GAAP. Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget during the year.

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F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, 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.

Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$1 for land, \$1,000 for vehicles, \$5,000 for equipment, \$10,000 for buildings and improvements, and \$25,000 for infrastructure are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at acquisition value. The City elected not to report major general infrastructure assets retroactively. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Lease assets are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	20-30 years
Buildings and improvements	7-40 years
Vehicles	5 years
Machinery and equipment	5 years
Business-type activities/enterprise fund:	
Buildings	25 years
Systems and improvements	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years
Roads	20-50 years

Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

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H. Inventory

Inventories in the governmental funds consist of aviation fuel which is valued at cost on a first-in, first out basis. Inventories in the proprietary funds consist primarily of cemetery plots which are valued at cost on a specific identification basis.

I. Revenues

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. Sales tax revenues and gaming revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the City is entitled to the funds.

J. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. Fund Balance

GASB has issued standards which define the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the City's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

The City's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

L. Sales Taxes

On March 30, 1968, the citizens of the City of Springhill approved the assessment of a 1% sales and use tax. Proceeds of this 1% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

On November 21, 1987, the citizens of the City of Springhill approved the assessment of a 1/2% sales and use tax. Proceeds of this 1/2% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining fire department stations and related facilities, police department stations and related facilities, and public parks and recreational facilities, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid buildings, improvements and facilities; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

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In November 1991, the citizens of the City of Springhill approved the assessment of an additional 1% sales and use tax. Proceeds of the 1% sales and use tax are dedicated to the following purposes: acquiring, constructing, extending, improving, maintaining and operating sewer and sewerage disposal facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements.

M. Compensated Absences

Compensated paid time off is calculated based on the individual employee's anniversary date. Employees must use their paid time off within one year of their anniversary date or it is forfeited. Paid time off is vested and is paid to an employee upon termination.

There was a total of \$32,813 of accumulated unpaid paid time off as of June 30, 2022. The full liability and related costs are reported in the government-wide financial statements. The accumulated unpaid paid time off is a reconciling item between the governmental funds and government-wide statements.

N. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

O. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

P. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the water and sewer fund is shown net of an allowance of \$51,000.

R. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease. The City currently has deferred inflows of resources related to pensions and leased buildings.

T. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the governmental fund and government-wide financial statements.

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U. Pension Plan

The City is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plan as described in Note 15. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plans fiduciary net position have been determined on the same basis as they are reported by the plan.

V. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

W. Lease Receivables

Lease receivables are measured using a present value of lease payments to be received for the lease term (less estimates for uncollectible amounts).

(2) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General Fund	7.70	7.70	Statutory

Approximately 25% of the City's ad valorem taxes are derived from 10 taxpayers.

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(3) Cash, Cash Equivalents, and Investments

At June 30, 2022, the City has cash, cash equivalents, and investments (book balances) totaling \$10,655,310, as detailed below.

A. Cash and Cash Equivalents

At June 30, 2022, the City has cash and cash equivalents (book balances) totaling \$6,946,445 of which \$706,904, is shown as restricted. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At June 30, 2022, the City has investments totaling \$3,708,865, of which \$398,064 is shown as restricted.

The investments are presented in the financial statements at fair value using level 2 fair value measurements. Investments at June 30, 2022, consisted of certificates of deposit totaling \$476,535 with maturities greater than 90 days. The certificates of deposit are carried at cost, which approximates market.

Also included in investments at June 30, 2022, are \$321,530 held in money market trust funds invested in U.S. government securities.

At June 30, 2022, the City has investments that consist of investments in Louisiana Asset Management Pool (LAMP) totaling \$2,910,800.

The Louisiana Asset Management Pool (LAMP) is a local government investment pool. In accordance with GASB codification section 150.126, the investment in LAMP at the City of Springhill is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S.

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33:2955(A)(1)(h) which allows municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The following facts are relevant for LAMP:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, \$6,909,656 of the City's bank balances was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's  
trust department not in City's name:

Cash and cash equivalents	\$ 6,699,656
Investments	<u>210,000</u>
	<u>\$ 6,909,656</u>

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

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D. Restricted Cash and Investments

Restricted cash and investments at June 30, 2022, consisted of amounts received but not yet expended for the following purposes:

Governmental Activities –

Restricted investments	
Debt service	\$ 321,530
Total – governmental activities	<u>\$ 321,530</u>

Business-type activities –

Restricted cash	
Customer deposits	\$ 123,963
Debt service	<u>582,941</u>
Total restricted cash	
business-type activities	<u>\$ 706,904</u>

Restricted investments	
Customer deposits	\$ 76,534
Total restricted investment	
business-type activities	<u>\$ 76,534</u>

(4) Receivables

The following is a summary of receivables at June 30, 2022:

<u>Class of Receivable</u>	
Governmental activities –	
Ad valorem	\$ 3,252
Grants	29,838
Sales taxes	265,971
Gaming	55,678
Other	55,910
Lease receivables	50,800
Franchise taxes	<u>41,226</u>
Total governmental activities	<u>\$ 502,675</u>
Business-type activities –	
Water and sewer charges	\$ 246,440
Cemetery assessments	18,034
Lot sales	540
Other	100
Total business-type activities	<u>\$ 265,114</u>

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 102,764	\$ 563,436	\$	\$ 666,200
Land	525,294			525,294
Total capital assets, not being depreciated	628,058	563,436		1,191,494
Capital assets, being depreciated:				
Buildings	4,003,865		(175,000)	3,828,865
Infrastructure	12,917,524			12,917,524
Improvements other than buildings	940,899			940,899
Equipment	1,301,395	29,999		1,331,394
Total capital assets, being depreciated, at historical cost	19,163,683	29,999	(175,000)	19,018,682
Less accumulated depreciation:				
Buildings	(1,289,893)	(86,138)	2,187	(1,373,844)
Infrastructure	(4,338,448)	(546,176)		(4,884,624)
Improvements other than buildings	(261,741)	(44,163)		(305,904)
Equipment	(1,034,931)	(63,184)		(1,098,115)
Total accumulated depreciation	(6,925,013)	(739,661)	2,187	(7,662,487)
Total capital assets, being depreciated, net	12,238,670	(709,662)	(172,813)	11,356,195
Leased assets				
Equipment	41,573			41,573
Total leased assets, being amortized	41,573			41,573
Less accumulated amortization for:				
Leased equipment	(5,525)	(7,986)		(13,511)
Total accumulated amortization, leased equipment	(5,525)	(7,986)		(13,511)
Total lease assets being amortized, net	36,048	(7,986)		28,062
Total capital assets/lease assets, being depreciated/amortized, net	12,274,718	(717,648)	(172,813)	11,384,257
Governmental activities capital assets, net	\$ 12,902,776	\$ (154,212)	\$ (172,813)	\$ 12,575,751

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	Balance at July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
<u>Business-Type Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 48,490	\$	\$	\$	\$ 48,490
Construction in progress	562,970	648,074		(117,934)	1,093,110
Total capital assets, not being depreciated, at historical cost	611,460	648,074		(117,934)	1,141,600
Capital assets, being depreciated:					
Buildings	2,338,568				2,338,568
Improvements other than buildings	57,997				57,997
Furniture and fixtures	118,322				118,322
Equipment	585,370	14,769			600,139
Vehicles	239,986				239,986
Water plant	20,671,563	267,068		117,934	21,056,565
Sewer plant	9,921,068				9,921,068
Total capital assets, being depreciated, at historical cost	33,932,874	281,837		117,934	34,332,645
Less accumulated depreciation:					
Buildings	(1,217,864)	(50,188)			(1,268,052)
Improvements other than buildings	(53,376)	(4,621)			(57,997)
Furniture and fixtures	(118,322)				(118,322)
Equipment	(431,263)	(23,029)			(454,292)
Vehicles	(204,979)	(18,382)			(223,361)
Water plant	(7,750,244)	(768,848)			(8,519,092)
Sewer plant	(6,172,178)	(264,779)			(6,436,957)
Total accumulated depreciation	(15,948,226)	(1,129,847)			(17,078,073)
Total capital assets, being depreciated, net	17,984,648	(848,010)		117,934	17,254,572
Business-type activities capital assets, net	\$ 18,596,108	\$ (199,936)	\$	\$	\$ 18,396,172

Depreciation/amortization expense was charged to governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities
General government	\$ 21,687	\$
Public safety	46,744	
Parks and recreation	89,150	
Streets	427,754	
Airport	159,019	
Maintenance	3,293	
General and administrative		36,378
Community activities		59,842
Water		768,848
Sewer		264,779
Total	\$ 747,647	\$ 1,129,847

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(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2022 consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 145,716	\$ 102,425	\$ 248,141
Construction payable	26,528	31,170	57,698
Compensated absences	5,935	17,242	23,177
Salaries and benefits	66,163	7,692	73,855
Bonds due to city court	<u>9,693</u>	<u>          </u>	<u>9,693</u>
Total – fund statements	254,035	158,529	412,564
Accrued interest	<u>45,742</u>	<u>20,721</u>	<u>66,463</u>
Total –government-wide Statements	<u>\$ 299,777</u>	<u>\$ 179,250</u>	<u>\$ 479,027</u>

(7) Customers' Deposits

Deposits held for customers that are currently active on the water and sewer systems total \$200,497 at June 30, 2022.

(8) Leases

The City, as a lessor, has entered into lease agreements involving airport hangers and buildings owned by the City. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the year ended June 30, 2022 was \$15,546.

The future inflow of resources for the years subsequent to June 30, 2022, under existing lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 14,955
2024	13,452
2025	12,404
2026	11,386
2027	252
2028-2032	<u>2,240</u>
	<u>\$ 54,689</u>

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(9) On-behalf Payments

Public safety employees of the City received a total of \$84,000 in supplemental pay from the State of Louisiana. The City recognizes this supplemental pay received by the employees as revenues and expenditures of the City. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety and ward court expenditures.

(10) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Notes from direct placement:					
Sales Tax Revenue Bonds:					
Series 2014	\$ 2,420,000	\$	\$( 145,000)	\$2,275,000	\$ 145,000
Series 2015	1,440,000		( 80,000)	1,360,000	80,000
Series 2016	380,000		( 60,000)	320,000	60,000
Other long-term					
Liabilities –					
Leased equipment	9,418	28,290	( 4,895)	32,813	6,883
Net pension liability - MERS	1,411,519		( 608,032)	803,487	
Net pension liability – MPERS	1,376,580		( 619,632)	756,948	
Compensated absences	<u>39,611</u>	<u>4,577</u>		<u>44,188</u>	<u>44,188</u>
	<u>\$ 7,077,128</u>	<u>\$ 32,867</u>	<u>\$( 1,517,559)</u>	5,592,436	336,071
Less current portion				<u>( 5,935)</u>	<u>( 5,935)</u>
Total long-term liabilities, governmental activities				<u>\$ 5,586,501</u>	<u>\$ 330,136</u>

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City of Springhill  
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Notes to Financial Statements  
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
Notes from direct placement:					
Water Revenue Bonds Series 2012	\$ 5,640,011	\$	\$ ( 102,405)	\$ 5,537,606	\$ 105,478
Water Revenue Bonds Series 2016	3,680,000		( 420,000)	3,260,000	430,000
Other long-term liabilities					
Net pension Liability-MERS	670,367		( 288,770)	381,597	
Compensated Absences	<u>20,200</u>		<u>( 2,958)</u>	<u>17,242</u>	<u>17,242</u>
	<u>\$10,010,578</u>	<u>\$</u>	<u>\$ ( 814,133)</u>	9,196,445	552,720
Less current portion				<u>( 17,242)</u>	<u>( 17,242)</u>
Total Business-type Activities				<u>\$ 9,179,203</u>	<u>\$ 535,478</u>

Governmental activities sales tax bonds consist of the following issues:

Sales Tax Revenue Bonds:

Series 2014, original amount \$3,200,000 dated August 6, 2014. Due in annual installments of principal and semi-annual installments of interest through August 2034; interest at 2.825%. Payable from sales tax funds.	<u>\$ 2,275,000</u>
Series 2015, original amount \$1,800,000 dated June 25, 2015. Due in annual installments of principal and semi-annual installments of interest through August 2035; interest at 2.705%. Payable from sales tax funds.	<u>\$ 1,360,000</u>
Series 2016, original amount \$600,000 dated June 15, 2016. Due in annual installments of principal and semi-annual installments of interest through August 2026; interest at 2.3701%. Payable from sales tax funds.	<u>\$ 320,000</u>

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Business-type activities general obligation and utility revenue bonds consist of the following issues:

Utility revenue bonds:

Series 2012, original amount \$6,109,000 dated February 2015. Due in annual installments of principal and semi-annual installments of interest through June 2054; interest at 3.0%. Secured by pledge of net revenues of the water system. \$ 5,537,606

Series 2016 original amount 5,495,000 dated November 22, 2016. Due in annual installments of principal and semi annual installments of interest through June 2029; interest at 2.25%-3.125%. Secured by pledge of net revenues of the water system \$ 3,260,000

Payments on sales tax revenue bonds are made from the Sales Tax Bond funds. Sales Tax Revenue Bonds Series 2014, 2015, and 2016 are secured by pledge of one percent sales tax approved by voters on November 16, 1991. Payments on utility revenue bonds and general obligation are made from the Water and Sewer fund. Compensated absences liability will be liquidated through the General fund and Water and sewer fund.

Debt service requirements at June 30, 2022, were as follows:

Governmental Activities – Sales Tax Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 285,000	\$ 104,791
2024	300,000	96,912
2025	305,000	88,765
2026	315,000	80,408
2027	320,000	73,602
2028-2032	1,390,000	252,088
2033-2036	<u>1,040,000</u>	<u>56,068</u>
	<u>\$ 3,955,000</u>	<u>\$ 752,634</u>

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City of Springhill  
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(Continued)

Business-type Activities – Utility Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 535,478	\$ 252,341
2024	548,642	239,501
2025	566,901	226,343
2026	580,258	212,748
2027	593,716	198,827
2028-2032	1,644,189	755,716
2033-2037	752,588	605,442
2038-2042	872,456	485,575
2043-2047	1,011,415	346,615
2048-2052	1,172,507	185,523
2053-2054	519,456	23,487
	<u>\$ 8,797,606</u>	<u>\$ 3,532,118</u>

Leased Equipment

The City has three lease agreements for equipment. The equipment is included in governmental activities capital assets at a cost of \$41,573, with accumulated amortization totaling \$13,511 as of June 30, 2022. Interest has been imputed at a rate of 2.54%, and the City will make monthly payments through December 2026. The future lease payments under lease agreements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 6,883	\$ 759
2024	7,061	581
2025	7,244	398
2026	7,432	210
2027	4,193	35
	<u>\$ 32,813</u>	<u>\$ 1,983</u>

(11) Other Postemployment Benefits

The City provides no other postemployment benefits to its employees.

(12) Risk Management

The City purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

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(13) Interfund Balances

Interfund balances at June 30, 2022 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General fund	\$ 111,820	\$( 308)	\$ 111,512
Sales	<u>402,500</u>		<u>402,500</u>
Total Governmental Funds	<u>514,320</u>	<u>( 308)</u>	<u>514,012</u>
Enterprise Funds:			
Major fund			
Water and Sewer		( 511,249)	( 511,249)
Non-major funds	<u>352</u>	<u>( 3,115)</u>	<u>( 2,763)</u>
Total Enterprise Funds	<u>352</u>	<u>( 514,364)</u>	<u>( 514,012)</u>
Total	<u>\$ 514,672</u>	<u>\$( 514,672)</u>	<u>\$</u>

The interfund balances are the results of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
Governmental Funds:			
Major funds:			
General fund	\$ 1,968,000	\$	\$ 1,968,000
Sales tax		( 2,711,030)	( 2,711,030)
Non-major funds	<u>401,030</u>		<u>401,030</u>
Total Governmental Funds	<u>2,369,030</u>	<u>( 2,711,030)</u>	<u>( 342,000)</u>
Enterprise Funds:			
Major funds:			
Water and sewer	300,000		300,000
Non-major funds	<u>60,000</u>	<u>( 18,000)</u>	<u>42,000</u>
	<u>360,000</u>	<u>( 18,000)</u>	<u>342,000</u>
Total	<u>\$ 2,729,030</u>	<u>\$( 2,729,030)</u>	<u>\$</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

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(15) Pension Plans

Employees of the City are members of the Municipal Employees Retirement System or Municipal Police Employees Retirement System (police department employees). The following is a description of the plans and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. Employees of the City are members of Plan A.

**Plan Description**

Eligibility Requirements:

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

Retirement Benefits:

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service

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City of Springhill  
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4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

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

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Cost of Living Increases:

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

Deferred Benefits:

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

Contributions

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2021, the actual employer contribution rate was 29.50% for Plan A. The City's contributions to the System for the years ended June 30, 2022, 2021, and 2020, were \$232,262, \$248,882, and \$255,404, respectively.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$31,792 are recognized as revenue during the year ended June 30, 2022, and excluded from pension expense.

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

At June 30, 2022, the City reported a liability of \$1,185,084 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2021, as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2021. The City's proportion as measured at June 30, 2021, was .426059%, which was a decrease of .055479% from its proportion measured as of June 30, 2020.

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For the year ended June 30, 2022, the City recognized pension expense of \$23,515, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$1,148.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 9,215	\$ 4,337
Net difference between projected and actual earnings on pension plan investments	227,052	106,848
Changes of assumptions		
Changes in proportionate share from beginning net pension liability	108,298	52,468
Difference between actual contributions and proportionate Share of contributions	1,980	932
Total	<u>\$ 346,545</u>	<u>\$ 164,585</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 28,900	\$ 14,407
Differences between expected and actual experience	290	137
Employer contributions subsequent to the measurement Date	156,648	73,716
Total	<u>\$ 185,838</u>	<u>\$ 88,260</u>

The City reported a total of \$230,364 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2021, which will be recognized as a reduction in net pension liability in the year ended June 30, 2023.

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

<u>Year</u>	<u>Amount</u>
2023	\$ (135,334)
2024	(132,955)
2025	(86,082)
2026	(113,025)
Total	<u>\$ (467,396)</u>

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**Actuarial Methods and Assumptions**

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021 are as follows:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.85%, net of pension plan investment expense, including inflation
Inflation Rate	2.5%
Salary increases, including inflation and merit increases:	
1 to 4 years of service	6.4%
More than 4 years of service	4.5%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Healthy Retiree table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree table set equal to 120% for males and females with full generational MP2018 scale.
Expected Remaining Service Lives	3 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an experience study, for the period July 1, 2013 to June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2014. The required Schedules of Employers' Net pension Liability located in the required supplementary information following the notes to the Financial Statements present multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2021 is based on actuarial valuations for the same period, updates using generally accepted actuarial principles.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021 are summarized in the following table:

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	53%	2.31%
Public fixed income	38%	1.65%
Alternatives	9%	.39%
Totals	100%	4.35%
Inflation		2.6%
Expected Arithmetic Nominal Return		6.95%

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.85%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2021:

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	5.85%	6.85%	7.85%
Net Pension Liability	\$ 1,755,172	\$ 1,185,084	\$ 703,568

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**Changes in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2022 were recognized in the current reporting period except as follows:

*Differences between Expected and Actual Experience:*

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

*Differences between Projected and Actual Investment Earnings:*

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

*Changes of Assumptions:*

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

*Changes in Proportion:*

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2022.

**Contributions – Proportionate Share**

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

**Pension Plan Fiduciary Net Position**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

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The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2021. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.lia.la.gov](http://www.lia.la.gov).

**MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM**

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

**Plan Description**

Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

**Membership Prior to January 1, 2013**

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60.

Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

**Initial Benefit Option Plan**

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

**Contributions**

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2021, total contributions due from employers and employees was 43.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 33.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 36.25% and 7.5%, respectively. The City contributions to the System for the years ended June 30, 2022, 2021, and 2020 were \$163,986, \$161,990, and \$133,594, respectively. Included in contributions for the year ended June 30, 2022, were contributions for the month of June 2022 which were remitted in July 2022.

**Non-Employer Contributions**

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$31,734 are recognized as revenue during the year ended June 30, 2022, and excluded from pension expense.

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

At June 30, 2022, the City reported a liability of \$756,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 the employer's contributions to the System during the year ended June 30, 2021, as compared to the total of all employers' contributions to the System for the year ended June 30, 2021. At June 30, 2021, the City's proportion was .142002%, which was a decrease of .006141% from its proportion measured as of June 30, 2020.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

For the year ended June 30, 2022, the City recognized pension expense of \$87,552, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$227.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 23,311
Difference between actual contributions and proportionate share of contributions	11,821	927
Changes of assumptions		21,593
Net difference between projected and actual earnings on pension plan investments	83,827	353,436
Changes in proportion and differences between employer contributions and proportionate share of contributions	147,362	97,149
Employer contributions subsequent to the measurement Date	<u>163,986</u>	
Total	<u>\$ 406,996</u>	<u>\$ 496,416</u>

The City reported a total of \$163,986 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2021, which will be recognized as a reduction in net pension liability in the year ended June 30, 2023.

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

<u>Year</u>	<u>Amount</u>
2023	\$ (46,756)
2024	(6,606)
2025	(78,278)
2026	<u>(121,766)</u>
Total	<u>\$ (253,406)</u>

**Actuarial Methods and Assumptions**

The actuarial assumptions used in the June 30, 2021 valuation were based on the assumptions used in the June 30, 2021 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021 are as follows:

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	6.750%, net of investment expense, decreased from 6.950% in 2020
Expected Remaining Service Lives	4 years
Inflation Rate	2.5%

	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Salary increases, including inflation and merit	1-2 above 2	12.3% 4.70%

Mortality

Mortality assumptions were based on an experience study for the period July 1, 2014 - June 30, 2019. The Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees, and Retirees was used multiplied by 115% for males and 125% for females each with full generational projection using the MP2019 scale. For disabled retirees the Public Retirement Plans Mortality for Safety below-Medium table was used multiplied by 105% for males and 115% for females each with full generational projection using the MP2019 scale.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	55.50%	3.47%
Fixed income	30.50%	0.59%
Alternatives	14%	1.02%
Other	<u>0%</u>	<u>0.00%</u>
Totals	<u>100%</u>	<u>5.08%</u>
Inflation		<u>2.22%</u>
Expected Arithmetic Nominal Return		<u>7.30%</u>

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate.

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Net Pension Liability	\$1,319,241	\$756,948	\$287,623

**Change in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2022, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

**Contributions – Proportionate Share**

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

**Pension Plans Fiduciary Net Positions**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2021. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.lla.la.gov](http://www.lla.la.gov).

(16) Subsequent Events

In August 2022, the City awarded a contract for engineering for a splash pad in the amount of \$105,850. This project is expected to be funded by a Louisiana Community Development Block Grant.

Subsequent events have been evaluated through December 21, 2022, the date the financial statements were available to be issued.

(17) Litigation and Claims

At June 30, 2022, the City is involved in several lawsuits. In the opinion of legal counsel for the City, the outcome of the lawsuits is not presently determinable.

(18) New Accounting Principle

In June, 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which increased the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and resources or outflows or resources based on the payment provisions of the contract. The Statement establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The provisions of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The City implemented this Statement in the current year, resulting in a restatement to net position of governmental activities of \$3,575.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

(19) Fund Balance Classifications

The constraints on fund balance as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund, as follows:

	Major Funds		Non-major Funds	Total
	General Fund	Sales Tax	Other Governmental Funds	
Fund balances:				
Nonspendable	\$ 127,906	\$	\$	\$ 127,906
Restricted:				
Debt service			321,530	321,530
Capital improvements		3,217,135		3,217,135
Sewer, water, garbage, public safety, parks & rec		1,851,000		1,851,000
Public safety	18,109			18,109
Assigned:				
Property acquisition	135,640			135,640
Building maintenance	202,936			202,936
Airport	13,055			13,055
Health center maintenance	38,731			38,731
Public Safety	147,135			147,135
Other	1,110			1,110
Unassigned	1,303,848			1,303,848
Total fund balances	<u>\$1,988,470</u>	<u>\$ 5,068,135</u>	<u>\$ 321,530</u>	<u>\$ 7,378,135</u>

(20) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at June 30, 2022, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 346,545	\$ 164,585	\$ 511,130
Pension related - MPERS	496,416		496,416
Leased buildings	50,800		50,800
	<u>\$ 893,761</u>	<u>\$ 164,585</u>	<u>\$ 1,058,346</u>

The Statement of Net Position reports deferred outflows of resources at June 30, 2022, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 185,838	\$ 88,260	\$ 274,098
Pension related - MPERS	406,996		406,996
	<u>\$ 592,834</u>	<u>\$ 88,260</u>	<u>\$ 681,094</u>

Information about each retirement plan is detailed in Note 15.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2022  
(Continued)

(21) Commitments

The City has signed contracts for waste water improvements and a water well rehabilitation totaling approximately \$347,000. As of June 30, 2022, costs incurred on these contracts totaled approximately \$175,958, with the balances remaining of \$171,042 to be incurred subsequent to June 30, 2022.

(22) Prior Period Restatement

As a result of implementing GASB 87, the net position of the City of Springhill was restated as of June 30, 2021, to record leased assets and liabilities, as noted below:

	Governmental Activities
Net Position, June 30, 2021, as previously reported	\$ 13,421,758
Recording of leases	<u>( 3,575)</u>
Total Net Position, June 30, 2021, restated	<u>\$ 13,418,183</u>

(23) Unearned Revenue

Unearned revenue at June 30, 2022, consists of funds received under the Coronavirus State and Local Fiscal Recovery Funds which had not yet been used/expended. The City plans to use those funds in the subsequent year.

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 221,000	\$ 221,000	\$ 173,124	\$ (47,876)
Franchise taxes	144,000	144,000	174,674	30,674
Other taxes	14,000	14,000	8,545	(5,455)
Licenses and permits	134,000	134,000	224,875	90,875
Charges for service	290,000	290,000	329,754	39,754
Gaming taxes	295,000	295,000	435,776	140,776
Intergovernmental revenues	758,925	859,467	755,545	(103,922)
Fines and forfeitures	25,344	25,344	82,335	56,991
Investment earnings	3,000	3,000	4,706	1,706
Rental of facilities	26,400	26,400	27,642	1,242
Oil and gas	4,500	4,500	17,684	13,184
Miscellaneous	56,845	56,845	119,911	63,066
Total revenues	1,973,014	2,073,556	2,354,571	281,015
Expenditures:				
Current:				
General government	1,002,031	972,031	983,735	(11,704)
Public safety	1,470,932	1,470,932	1,453,238	17,694
Parks and recreation	143,000	143,000	120,784	22,216
Streets	588,168	588,168	608,722	(20,554)
Airport	676,254	676,254	81,885	594,369
Ward court	210,310	206,172	206,614	(442)
Transportation	49,125	49,125	28,924	20,201
Maintenance	88,000	114,550	97,531	17,019
Driver license bureau	10,400	12,000	10,439	1,561
Capital outlay			593,435	(593,435)
Total expenditures	4,238,220	4,232,232	4,185,307	46,925
Excess (deficiency) of revenues over expenditures	(2,265,206)	(2,158,676)	(1,830,736)	327,940
Other financing sources (uses):				
Transfers in	1,968,000	1,968,000	1,968,000	
Sale of assets			32,500	32,500
Total other financing sources (uses)	1,968,000	1,968,000	2,000,500	32,500
Excess (deficiency) of revenues and other sources over expenditures and other uses	(297,206)	(190,676)	169,764	360,440
Fund balances at beginning of year	1,541,767	1,541,767	1,818,706	276,939
Fund balances at end of year	\$ 1,244,561	\$ 1,351,091	\$ 1,988,470	\$ 637,379

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
Sales Tax Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Sales tax	\$ 2,600,000	\$ 2,800,000	\$ 2,999,390	\$ 199,390
Investment income	19,000	19,000	9,804	(9,196)
Total revenues	<u>2,619,000</u>	<u>2,819,000</u>	<u>3,009,194</u>	<u>190,194</u>
Expenditures:				
Current:				
General government	37,200	37,200	42,321	(5,121)
Total expenditures	<u>37,200</u>	<u>37,200</u>	<u>42,321</u>	<u>(5,121)</u>
Excess (deficiency) of revenues over expenditures	2,581,800	2,781,800	2,966,873	185,073
Other financing sources (uses):				
Transfers out	(2,446,030)	(2,946,031)	(2,711,030)	235,001
Total other financing sources (uses)	<u>(2,446,030)</u>	<u>(2,946,031)</u>	<u>(2,711,030)</u>	<u>235,001</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	135,770	(164,231)	255,843	420,074
Fund balances at beginning of year	<u>4,620,968</u>	<u>4,620,968</u>	<u>4,812,292</u>	<u>191,324</u>
Fund balances at end of year	<u>\$ 4,756,738</u>	<u>\$ 4,456,737</u>	<u>\$ 5,068,135</u>	<u>\$ 611,398</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Proportionate Share of Net Pension Liability  
For the Year Ended June 30, 2022

Municipal Police Employees' Retirement System

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered-employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.142002%	\$ 756,948	\$ 479,969	157.71%	84.09%
2021	0.148943%	1,376,580	411,058	334.89%	70.94%
2020	0.113189%	1,027,946	380,979	269.82%	71.01%
2019	0.139991%	1,183,492	357,033	331.48%	71.89%
2018	0.119335%	1,041,845	382,649	272.27%	70.08%
2017	0.14636%	1,371,834	409,992	334.60%	66.04%
2016	0.15492%	1,213,621	419,414	289.36%	70.73%
2015	0.19671%	1,230,659	398,211	309.05%	75.10%

Municipal Employees' Retirement System

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered-employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.426059%	\$ 1,185,084	\$ 843,667	140.47%	77.82%
2021	0.481538%	2,081,886	920,374	226.20%	64.52%
2020	0.496435%	2,074,434	928,646	223.38%	64.68%
2019	0.515546%	2,134,710	941,239	226.80%	63.94%
2018	0.529604%	2,215,557	962,808	230.11%	62.49%
2017	0.531228%	2,177,350	948,954	229.45%	62.11%
2016	0.510513%	1,823,632	871,320	209.30%	66.18%
2015	0.504702%	1,295,290	888,763	145.74%	73.99%

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

City of Springhill  
Springhill, Louisiana  
Schedule of Contributions  
June 30, 2022

Municipal Police Employees' Retirement System

Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 163,986	\$ 163,986	\$	\$ 551,214	29.75%
2021	149,514	149,514		479,969	31.15%
2020	133,594	133,594		411,058	32.50%
2019	122,866	122,866		380,979	32.25%
2018	109,788	109,788		357,033	30.75%
2017	121,491	121,491		382,649	31.75%
2016	120,948	120,948		409,992	29.50%
2015	132,115	132,115		419,414	31.50%

Municipal Employees' Retirement System

Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 230,364	\$ 230,364	\$	\$ 780,895	29.50%
2021	248,882	248,882		843,667	29.50%
2020	255,404	255,404		920,374	27.75%
2019	241,448	241,448		928,646	26.00%
2018	232,957	232,957		941,239	24.75%
2017	218,809	218,809		961,798	22.75%
2016	187,418	187,418		948,954	19.75%
2015	172,086	172,086		871,320	19.75%

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

City of Springhill  
Springhill, Louisiana  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2022

	2014 Sales Tax Bonds	2015 Sales Tax Bonds	2016 Sales Tax Bonds	Total
<b>Assets</b>				
Restricted investments	\$ 163,198	\$ 98,977	\$ 59,355	\$ 321,530
Total assets	<u>\$ 163,198</u>	<u>\$ 98,977</u>	<u>\$ 59,355</u>	<u>\$ 321,530</u>
<b>Fund balances:</b>				
Restricted - debt service	\$ 163,198	\$ 98,977	\$ 59,355	\$ 321,530
Total fund balances	<u>\$ 163,198</u>	<u>\$ 98,977</u>	<u>\$ 59,355</u>	<u>\$ 321,530</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Non-major Governmental Funds  
For the Year Ended June 30, 2022

	2014 Sales Tax Bonds	2015 Sales Tax Bonds	2016 Sales Tax Bonds	Totals
Revenues:				
Investment earnings	\$ 45	\$ 28	\$ 16	\$ 89
Total revenues	<u>45</u>	<u>28</u>	<u>16</u>	<u>89</u>
Expenditures:				
Principal retirement	145,000	80,000	60,000	285,000
Interest and other charges	67,308	39,370	10,795	117,473
Total expenditures	<u>212,308</u>	<u>119,370</u>	<u>70,795</u>	<u>402,473</u>
Excess (deficiency) of revenues over expenditures	(212,263)	(119,342)	(70,779)	(402,384)
Other financing sources (uses):				
Transfers in	<u>210,601</u>	<u>120,226</u>	<u>70,203</u>	<u>401,030</u>
Net change in fund balance	(1,662)	884	(576)	(1,354)
Fund balances at beginning of year	<u>164,860</u>	<u>98,093</u>	<u>59,931</u>	<u>322,884</u>
Fund balances at end of year	<u>\$ 163,198</u>	<u>\$ 98,977</u>	<u>\$ 59,355</u>	<u>\$ 321,530</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Net Position  
Non-major Enterprise Funds  
June 30, 2022

	Cemetery Fund	Community Activities Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 306,840	\$ 8,755	\$ 315,595
Restricted investments	16,534		16,534
Accounts receivable	18,574		18,574
Inventories	49,580		49,580
Prepays	1,300	6,738	8,038
Due from other funds	352		352
Total current assets	<u>393,180</u>	<u>15,493</u>	<u>408,673</u>
Noncurrent assets:			
Capital assets:			
Plant and equipment	63,303	2,668,764	2,732,067
Less: accumulated depreciation	(51,402)	(1,535,888)	(1,587,290)
Total noncurrent assets	<u>11,901</u>	<u>1,132,876</u>	<u>1,144,777</u>
Total assets	<u>405,081</u>	<u>1,148,369</u>	<u>1,553,450</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	45	9,173	9,218
Due to other funds		3,115	3,115
Total current liabilities	<u>45</u>	<u>12,288</u>	<u>12,333</u>
<b>Net position</b>			
Net investment in capital assets	11,901	1,132,876	1,144,777
Unrestricted	393,135	3,205	396,340
Total net position	<u>\$ 405,036</u>	<u>\$ 1,136,081</u>	<u>\$ 1,541,117</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Non-major Enterprise Funds  
For the Year Ended June 30, 2022

	Cemetery Fund	Community Activities Fund	Totals
Operating revenues:			
Charges for service -			
Cemetery assessments	\$ 25,285	\$	\$ 25,285
Rent		51,495	51,495
Sale of cemetery lots	15,125		15,125
Miscellaneous	600	3,520	4,120
Total operating revenues	<u>41,010</u>	<u>55,015</u>	<u>96,025</u>
Operating expenses:			
Cost of sales and service	3,764		3,764
Community activities		121,802	121,802
Cemetery maintenance	16,909		16,909
General and administrative	9,397		9,397
Depreciation	1,488	59,842	61,330
Total operating expenses	<u>31,558</u>	<u>181,644</u>	<u>213,202</u>
Operating income (loss)	<u>9,452</u>	<u>(126,629)</u>	<u>(117,177)</u>
Non-operating revenues (expenses):			
Interest income	422		422
Total non-operating revenues (expenses)	<u>422</u>		<u>422</u>
Change in net position before transfers	9,874	(126,629)	(116,755)
Transfers in		60,000	60,000
Transfers out	(18,000)		(18,000)
Total other financing sources (uses)	<u>(18,000)</u>	<u>60,000</u>	<u>42,000</u>
Change in net position	(8,126)	(66,629)	(74,755)
Net position - beginning of year	<u>413,162</u>	<u>1,202,710</u>	<u>1,615,872</u>
Net position - end of year	<u>\$ 405,036</u>	<u>\$ 1,136,081</u>	<u>\$ 1,541,117</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Net Position  
Water and Sewer Funds  
June 30, 2022

	Water Fund	Sewer Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 389,161	\$ 882,548	\$ 1,271,709
Restricted cash and cash equivalents	123,963		123,963
Investments	60,000		60,000
Restricted investments	1,746,191		1,746,191
Accounts receivable	140,961	105,579	246,540
Prepays	64,539	14,622	79,161
Total current assets	<u>2,524,815</u>	<u>1,002,749</u>	<u>3,527,564</u>
Noncurrent assets:			
Restricted cash	582,941		582,941
Capital assets:			
Land	26,500	21,990	48,490
Construction in process	258,859	834,251	1,093,110
Plant and equipment	21,679,510	9,921,068	31,600,578
Less: accumulated depreciation	(8,839,933)	(6,650,850)	(15,490,783)
Total noncurrent assets	<u>13,707,877</u>	<u>4,126,459</u>	<u>17,834,336</u>
Total assets	<u>16,232,692</u>	<u>5,129,208</u>	<u>21,361,900</u>
Deferred Outflows of Resources			
Pension related	<u>75,021</u>	<u>13,239</u>	<u>88,260</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	61,897	87,414	149,311
Due to other funds	498,029	13,220	511,249
Payable from restricted assets:			
Revenue bonds	535,478		535,478
Accrued interest	20,721		20,721
Customer deposits	200,497		200,497
Unearned revenue		882,468	882,468
Total current liabilities	<u>1,316,622</u>	<u>983,102</u>	<u>2,299,724</u>
Non current liabilities:			
Net pension liability	324,358	57,240	381,597
Revenue bonds	8,262,127		8,262,128
Total noncurrent liabilities	<u>8,586,485</u>	<u>57,240</u>	<u>8,643,725</u>
Total liabilities	<u>9,903,107</u>	<u>1,040,342</u>	<u>10,943,449</u>
Deferred Inflows of Resources			
Pension related	<u>139,897</u>	<u>24,688</u>	<u>164,585</u>
Total deferred inflows of resources	<u>139,897</u>	<u>24,688</u>	<u>164,585</u>
<b>Net position</b>			
Net investment in capital assets	5,472,108	4,126,459	9,598,567
Restricted for debt service	582,941		582,941
Unrestricted	209,660	(49,042)	160,618
Total net position	<u>\$ 6,264,709</u>	<u>\$ 4,077,417</u>	<u>\$ 10,342,126</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Water and Sewer Funds  
For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for service -			
Water sales	\$ 1,145,147	\$	\$ 1,145,147
Sewerage service charges		899,332	899,332
Other charges and fees	91,822	1,636	93,458
Total operating revenues	<u>1,236,969</u>	<u>900,968</u>	<u>2,137,937</u>
Operating expenses:			
Water services	764,762		764,762
Sewer services		530,430	530,430
General and administrative	26,318	56,329	82,647
Depreciation	789,782	278,735	1,068,517
Total operating expenses	<u>1,580,862</u>	<u>865,494</u>	<u>2,446,356</u>
Operating income (loss)	<u>(343,893)</u>	<u>35,474</u>	<u>(308,419)</u>
Non-operating revenues (expenses):			
Interest income	5,363		5,363
Interest expense	(264,097)		(264,097)
Total non-operating revenues (expenses)	<u>(258,734)</u>		<u>(258,734)</u>
Change in net position before contributions and transfers	(602,627)	35,474	(567,153)
Capital contributions		295,466	295,466
Transfers in	300,000		300,000
Transfers out	191,235	(191,235)	
Total capital contributions and transfers	<u>491,235</u>	<u>104,231</u>	<u>595,466</u>
Change in net position	(111,392)	139,705	28,313
Net position - beginning of year	<u>6,376,101</u>	<u>3,937,712</u>	<u>10,313,813</u>
Net position - end of year	<u>\$ 6,264,709</u>	<u>\$ 4,077,417</u>	<u>\$ 10,342,126</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation Paid to Board Members  
For the Year Ended June 30, 2022

Mayor - W. Ray Huddleston, Salary	\$ 56,016
Alderman:	
D. Nicole Frazier	9,168
Ronnie Dees	9,924
Ronnie Hearnberger	9,168
Stacey Willard	9,168
Alex Edwards	<u>9,168</u>
	<u>\$ 102,612</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2022

Agency Head: W. Ray Huddleston, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 56,016
Benefits - Retirement	16,525
Cell phone	536
Vehicle Insurance and maintenance	455

City of Springhill  
Springhill, Louisiana  
Other Supplementary Information  
Justice System Funding Schedule  
Collecting/Disbursing Schedule  
As Required by Act 87 of the 2020 Regular Legislative Session  
For the Year Ended June 30, 2022

	July 2021 - December 2021	January 2022 - June 2022
Cash Basis Presentation		
<b>Beginning Balance of Amounts Collected (i.e. cash on hand)</b>	<b>8,247</b>	<b>8,247</b>
<b>Add: Collections</b>		
Civil fees	2,274	53,164
Subtotal Collections	<b>2,274</b>	<b>53,164</b>
<b>Less: Disbursements to Governments and Nonprofits</b>		
City Court of Springhill	337	5,316
Ward 2 Marshal of Webster Parish	67	1,063
<b>Less: Amounts Retained by Collecting Agency</b>		
Other	1,870	46,785
<b>Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies</b>		
Bond Fee Refunds		200
<b>Subtotal Disbursements/Retainage</b>	<b>2,274</b>	<b>53,364</b>
<b>Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)</b>	<b>8,247</b>	<b>8,047</b>
<b>Ending Balance of "Partial Payments" Collected but not Disbursed</b>	<b>-</b>	<b>-</b>

<b>Other Information:</b>		
Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	-	-
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	-	-

City of Springhill  
 Springhill, Louisiana  
 Justice System Funding Schedule  
 Receiving Schedule  
 As Required by Act 87 of 2020 Regular Legislative Session  
 For The Year Ended June 30, 2022

	<u>July, 2021 - December, 2021</u>	<u>January 2022 - June, 2022</u>
Cash Basis Presentation		
Receipts From:		
Springhill City Court - Criminal Court Costs/Fees	\$ 7,053	\$ 6,018
Webster Parish Police Jury - Asset Forfeiture/Sale		1,445
Subtotal Receipts	7,053	7,463
Ending Balance of Amounts Assessed but Not Received	-	-

# COOK & MOREHART

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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

Independent Auditor's Report

The Honorable W. Ray Huddleston, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Springhill's basic financial statements, and have issued our report thereon dated December 21, 2022.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Springhill'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 of Springhill's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springhill'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 entity'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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report On Compliance and Other Matters**

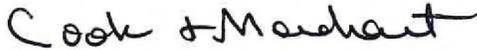
As part of obtaining reasonable assurance about whether City of Springhill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Summary Schedule of Current Year Audit Findings as item 2022-001.

## **City of Springhill's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Springhill's response to the finding identified in our audit and described in the accompanying Summary Schedule of Current Year Audit Findings. The City of Springhill's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 of Springhill's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart  
Certified Public Accountants  
December 21, 2022

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor  
June 30, 2022

There were no findings for the prior year audit for the year ended June 30, 2021.

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Current Year Audit Findings for the Louisiana Legislative Auditor  
June 30, 2022

There is one finding for the current year audit for the year ended June 30, 2022.

**Reference No: 2022-001 Fraud/Misappropriation**

1. *A general statement describing the fraud or misappropriation that occurred:* A former employee was arrested and charged with felony theft, R.S. 14:67.
2. *A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment):* Charges to fuel purchase card.
3. *The amount of funds or approximate value of assets involved:* The approximate amount of funds involved was \$8,727.
4. *The department or office in which the fraud or misappropriation occurred:* Street department, City of Springhill.
5. *The period of time over which the fraud or misappropriation occurred:* The period of time over which the fraud occurred was September 3, 2021 to July 15, 2022.
6. *The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation:* Streets department maintenance staff.
7. *The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated:* Formal charges have been brought against Christopher Dillard. The matter has not yet been adjudicated.
8. *Is the person who committed or is believed to have committed the act of fraud still employed by the agency?* No, the individual is no longer employed by the City.
9. *If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?* Not applicable – no longer employed.

(Continued)

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Current Audit Findings for the Louisiana Legislative Auditor  
June 30, 2022  
(Continued)

10. *Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?* The District Attorney for Webster Parish was notified.
11. *What is the status of the investigation at the date of the auditor's/accountant's report?* The individual was arrested on August 26, 2022.
12. *If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?* Yes
13. *What is the status of any related adjudication at the date of the auditor's/accountant's report?* Not yet adjudicated.
14. *Has restitution been made or has an insurance claim been filed?* Unknown.
15. *Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only):* Yes, the District Attorney for Webster Parish, was notified. The Louisiana Legislative Auditor was notified.
16. *Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?* The City's internal controls did detect the matter in question.
17. *If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner:* Not applicable

*Management's plan to ensure that the fraud or misappropriation does not occur in the future:* The City will consider additional controls where feasible. The City will also ensure that fuel cards are collected from terminated employees prior to termination.

# COOK & MOREHART

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Alderman  
City of Springhill  
Springhill, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The City of Springhill's management is responsible for those C/C areas identified in the SAUPs.

City of Springhill has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledges that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this reporting and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions (including periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes (R.S.)42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Management provided written policies and procedures addressing all of the above, except as noted below:

*Exceptions:*

1. The City did not have an Information Technology Disaster Recovery/Business Continuity policy.
2. The City's sexual harassment policy did not contain a requirement for training or reporting; however, the annual report was completed.
3. The City's Payroll/Personnel policy did not include the payrate approval process.

**Board or Finance Committee**

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
  - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year

audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Procedures performed. No exceptions noted.

### **Bank Reconciliations**

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

Management provided the requested information, along with management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedures performed. Noted the following exception:

*Exception:* Two of the accounts selected for testing had a total of 33 items totaling \$9,625 that have been outstanding for more than 12 months from the statement closing date.

### **Collections**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Management provided the requested information, along with management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Procedures performed. No exceptions noted.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Procedures performed. No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe drawer).
  - e) Trace the actual deposit per the bank statement to the general ledger.

Procedures performed. No exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).  
Management provided the requested information, along with management's representation that the listing is complete.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedures performed. Noted the following exception:

*Exception:* The employee responsible for processing payments is also the employee/official that is responsible for mailing out the payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedures performed. No exceptions noted.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

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

Procedures performed. No exceptions noted.

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

- 1) An original itemized receipt (i.e., identifies precisely what was purchased).
- 2) Written documentation of the business/public purpose.
- 3) Documentation of the individuals participating in meals (for meal charges only).

Procedures performed. Noted the following exception:

*Exception:* One receipt totaling \$13.01, could not be located.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedures performed. No exceptions noted.

***Contracts***

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Procedures performed. No exceptions noted.

### **Payroll and Personnel**

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

Management provided the requested information, along with management's representation that the listing is complete.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Procedures performed. Noted the following exceptions:

*Exceptions:* Three employees selected for testing did not complete timesheets documenting their daily attendance. However, all three employees are salaried employees.

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

Management provided the requested listing and management's representation that the listing was complete.

19. Obtain management's representation that employer and employee portions of third party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc) have been paid, and any associated forms have been filed, by required deadlines.

Management provided a representation that employer and employee portions of third party payroll related amounts have been paid, and any associated forms have been filed, by required deadlines.

### **Ethics**

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

The City maintained documentation to demonstrate that required ethics training was completed, except as noted below:

*Exception:* Documentation demonstrating employees completed one hour of ethics training could not be located for four of the five employees selected for testing.

b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Procedures performed. No exceptions noted.

#### ***Debt Service***

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Management provided the requested listing and management's representation that the listing was complete.

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

Procedures performed. No exceptions noted.

#### ***Fraud Notice***

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Town attorney of the parish in which the entity is domiciled.

Procedures performed. No exceptions noted.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds

Procedures performed. No exceptions noted.

#### ***Information Technology Disaster Recovery/Business Continuity***

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus

software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures and discussed the results with management.

### **Sexual Harassment**

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Procedures performed. Noted the following exception:

*Exception:* Sexual harassment training documentation could not be located for the five employees selected for testing.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Procedures performed. No exceptions noted.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

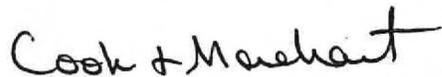
Procedures performed. Noted the following exception:

*Exception:* The City completed the required report for the current fiscal period, but it was dated after February 1.

We were engaged by the City of Springhill, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of City of Springhill, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



Cook & Morehart  
Certified Public Accountants  
December 21, 2022



# CITY OF SPRINGHILL

W. RAY HUDDLESTON  
MAYOR

101 MACHEN DRIVE P.O. BOX 398  
SPRINGHILL, LOUISIANA 71075  
PHONE (318) 539-5681 FAX (318) 539-5683

ALDERMAN  
D. NICOLE FRAZIER District #1  
RONNIE HEARNSBERGER District #2  
STACEY WILLARD District #3  
ALEX EDWARDS District #4  
RONNIE DEES District #5  
SHELLI MALONE, City Clerk  
WILL LYND, Chief of Police  
STUART McMAHEN, City Attorney  
ASHLEY LANDRY, Assistant City Clerk

December 21, 2022

Cook & Morehart, CPAs  
1215 Hawn Ave  
Shreveport, LA 71107

City of Springhill submits the following response to the exceptions identified in the Statewide Agreed-Upon Procedures Report for the year ended June 30, 2022:

*Exception:*

1. The City did not have an Information Technology Disaster Recovery/Business Continuity policy.
2. The City's sexual harassment policy did not contain a requirement for training or reporting; however the annual report was completed.
3. The City's Payroll/Personnel policy did not include the payrate approval process.

*Response:* The City will add the above noted areas to its policies and procedures.

*Exception:* Two of the bank accounts selected for testing had a total of 33 items totaling \$9,625 that have been outstanding for more than 12 months from the statement closing date.

*Response:* The City will investigate items which have been outstanding for more than 12 months from the statement closing date.

*Exception:* The employee responsible for processing payments is also the employee/official that is responsible for mailing out the payments.

*Response:* The City will consider additional controls regarding the mailing of checks.

*Exception:* One credit card receipt totaling \$13.01, could not be located.

*Response:* The City's policy is for all receipts to be submitted and reconciled with credit card statements prior to payment.

*Exception:* Three employees selected for testing did not complete timesheets documenting their daily attendance. However, all three employees are salaried employees.

*Response:* The City does not require timesheets for salaried employees.

*Exception:* Documentation demonstrating employees completed one hour of ethics training could not be located for four of the five employees selected for testing.

*Response:* The City will implement controls to ensure that all employees obtain required ethics training annually.

*Exception:* Sexual harassment training documentation could not be located for the five employees selected for testing.

*Response:* The City will implement controls to ensure that all employees obtain required sexual harassment training annually.

*Exception:* The City completed the required sexual harassment report for the current fiscal period, but it was dated after February 1.

*Response:* The City will complete the required report timely in the future.

Sincerely,

A handwritten signature in black ink that reads "W. Ray Huddleston". The signature is written in a cursive style with a large, sweeping "H" and "U".

W. Ray Huddleston  
Mayor