

CITY OF BAKER, LOUISIANA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Prepared by:

Fiscal Office with Assistance from
Contract Accountants

CITY OF BAKER, LOUISIANA
Annual Financial Report
For the Year Ended June 30, 2018

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INTRODUCTION SECTION
(Unaudited)



City of Baker

"Great American Hometown"

DEPARTMENT OF FINANCE

LETTER OF TRANSMITTAL

December 22, 2018

To the Honorable Darnell Waites, Mayor
Members of the City Council
Citizens of the City of Baker, Louisiana

The Annual Financial Report, hereinafter referred to as the AFR, for the City of Baker, LA for the fiscal year ended June 30, 2018, is submitted herein in accordance with La R.S. 24:518 requiring publication of a complete set of audited financial statements.

The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including disclosures, is that of management. Management assumes this responsibility based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Bruno & Tervalon LLP, CPAs have issued an unmodified opinion on the City of Baker, LA's financial statements for the year ended June 30, 2018. Their independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Reporting Entity

The City of Baker, LA (hereafter referred to as the City), the fourth largest city in East Baton Rouge Parish, is situated in the northwest part of that parish. It is approximately 8.3 square miles in size with a population of approximately 13,900. Within the boundaries are approximately 70 miles of roads maintained by the City.

The City was incorporated as a village in 1946 – W.H. Keyes served as the first mayor – but its name was established in 1888 recognizing the rural settlement that surrounded the post office and railroad station. Baker was a stop on the Illinois Central Railroad line connecting New Orleans with Memphis, TN. It is a progressive city that promotes harmony, invigorating activity and many opportunities to contribute to excellence through neighborhood involvement – it's a friendly place!

Originally governed by the provisions of the Lawrason Act, the electorate adopted a Home Rule Charter on May 16, 1970, that would become effective on July 1, 1972. The Charter provided for a mayor-council form of government. There are five council members elected by the citizens residing within their respective districts to serve a four-year term. Legislative authority is vested in the Council. The Mayor, also elected for a four-year term, is responsible for the day to day operations of all departments of the City. An organizational chart follows that provides an overview of how all branches and departments work together.

The purpose of the municipality is to promote the general welfare and the safety, health, peace, good order, comfort, convenience and morals of its inhabitants. To this regard, the City provides a full range of services, including (1) police and fire protection, (2) water, gas and sewer distribution services, (3) refuse collection; (4) building inspections, (5) licenses and permits, (6) construction and maintenance of streets and other infrastructure, (7) economic development, (8) full-service burials and (9) recreational and cultural activities. The City also is financially accountable for a legally separate court system and marshal, both of which are included in the following financial report as blended component units.

The City is required to adopt an initial budget for the fiscal year no later than June 15th to serve as the foundation for financial planning and control. A pay plan, operating and capital budget and a capital plan are submitted by the Mayor to the Council for consideration and are adopted on a departmental level. As such, the Mayor may transfer resources within a department as he sees fit, but other amendments require Council approval. Additional information regarding the budgeting process can be found in the note disclosures.

Local Economy

The City is a suburb of Baton Rouge that serves as the seat of government within the State of Louisiana. Major industries located within or in close proximity of the City's boundaries include a major airport, hospitals, construction and manufacturing/industrial businesses. The City has rail service and its proximity to the Mississippi River and the interstate highway system provides businesses with manageable transportation costs. It is within 60 miles of five major universities and two community colleges. It is close enough to hear the tigers roar at the Greater Baton Rouge Zoo and houses acres of other parks for golf, tennis and other sporting events or just enjoying the green space. Its walking paths include state-of-the-art outdoor exercise equipment – the Energi Total Body Fitness and the Life Trails Advanced Wellness System. These were developed to

deliver a synergistic workout for ages 13 and up as well as provide a tailored program for older adults to perform daily tasks easily and independently.

Because of its location, the unemployment rate for its citizens was about 4.5% at June of 2018, slightly below that of the state's rate, and lower than that of the prior year. The crime rate continues to be one of the lowest of all municipalities in Louisiana. Median household incomes within the City are consistent with those of the state as a whole. Home sales have averaged between 50 – 100 per year for the past several years, and sale prices have been increasing steadily since the latter part of 2013. The average length of staying in the City after moving here is significantly higher than the state average. This is a testament to the economic and community-oriented environment established by the City's government.

This Past Year

Over the past year, the City reviewed its policies and procedures to determine their effectiveness for the efficient operation of all departments. Many have been adapted accordingly to keep up with technological advancements and enhance internal controls. Others have been discarded and many have been established. We believe that the results of the FY2018 audit report will support these efforts in comparison to the reports issued for FY2016 and FY2017.

Additionally, the City continued its efforts in restoring facilities and equipment that was heavily damaged by the 2016 Flood. Changes were made at all well sites to allow the continuation of vital services without disruption during future emergency situations. Procedures for billing were implemented in the event of meter read failures. Continued focus to address the flow of water throughout the City in its on-going attention to protect persons and property resulted in a master plan for which grant funding was requested and approved. The fire station, hardest hit by the Great Flood of 2016, has only a few items on its punch list but the firefighters are back in the firehouse.

Attention has been given to community development to create activities and events for families. The Buffalo Festival, an event held for the benefit of the schools, was attended by 1,000s this past year. Young and old danced, ate and laughed together for three days! The rodeo, once the highlight of the festival, was brought back and was well attended. City Park was again filled with the cutest ghosts and goblins on Halloween looking for treats – our police officers obliged. It was a wonderful avenue for interaction between citizens and police. The holiday season included both a food and toy drive. A Christmas Social was held at City Hall providing a venue for businesses, Churches and citizens to mingle. Christmas in the Park followed the parade that included lunch with Santa Claus.

With the completion of the 2017 Street Rehabilitation Program, management worked with its engineers to develop the 2018 Program. This plan considers the most effective use of sales tax

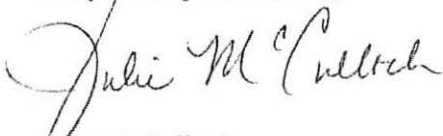
at City Hall providing a venue for businesses, Churches and citizens to mingle. Christmas in the Park followed the parade that included lunch with Santa Claus.

With the completion of the 2017 Street Rehabilitation Program, management worked with its engineers to develop the 2018 Program. This plan considers the most effective use of sales tax funds dedicated for maintaining and constructing streets throughout the City. Upon its completion, nearly all of the City's streets will have been addressed.

Acknowledgments

Management wants to thank Tommy LeJeune with Faulk & Winkler, LLC and his staff (Lauren Sherman and Scott Lazarone) for their assistance with the annual closing and preparation of the AFR. Appreciation is given to all City employees and contractors for their acceptance of and adaptation to the many changes made and that continue to be made for the effective operation of the City as well as their participation in these efforts. They should also be recognized for their assistance in providing data necessary to complete the audit process and prepare this report. Credit is also due to the Council for their support of maintaining the highest standards of professionalism in the management of the City and its finances. Finally but certainly not least, Mayor Waites is commended for his dedication to the success of all City initiatives and support in "getting it done". His vision and focus on the Master Plan keeps the City of Baker progressing into a prosperous and desired destination.

Respectfully Submitted,



Julie McCulloch
Manager



Mary Sue Stages, CPA
Finance Director

CITY OF BAKER, LOUISIANAL
Annual Financial Report
For the Year Ended June 30, 2018

List of Elected and Appointed Officials

Elected Officials

Mayor
Council Member – District 1
Council Member – District 2
Council Member – District 3
Council Member – District 4
Council Member – District 5
Judge
Chief of Police

Darnell Waites
Charles Vincent
Norman E. Heine
Glenda Bryant
Doris Alexander
Brenda Jackson
Kirk Williams
Carl Dunn

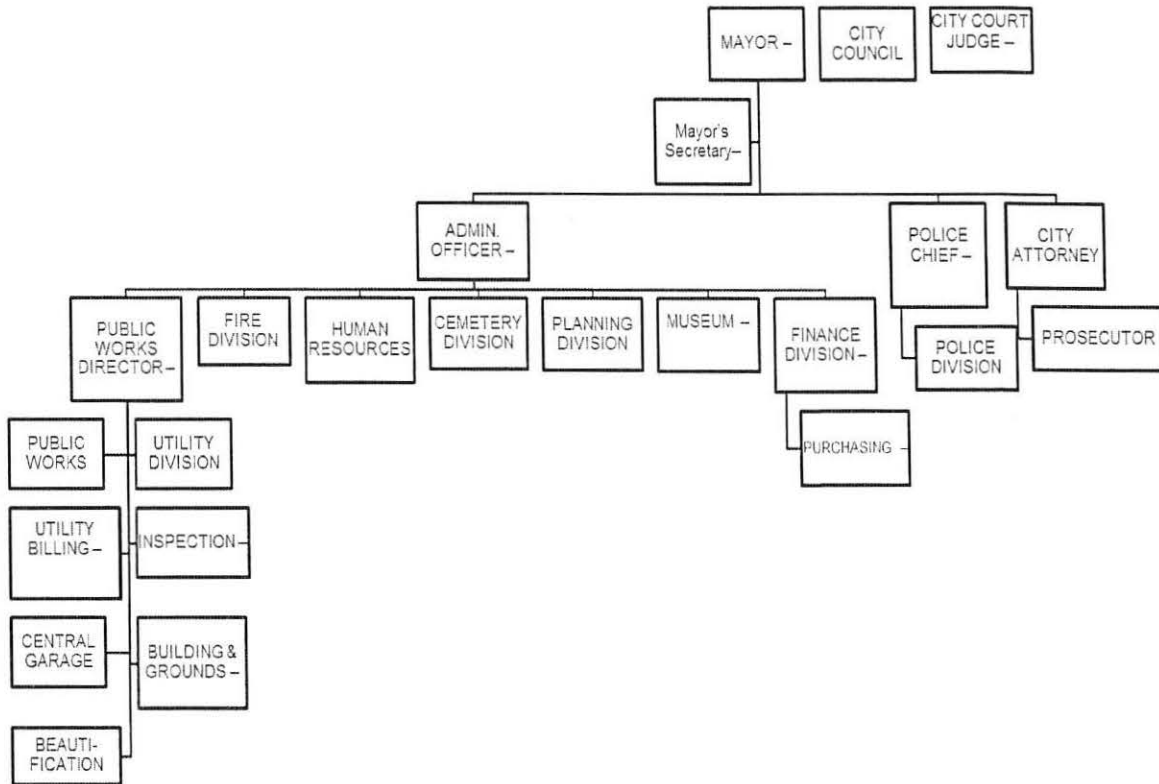
Appointed Officials

City Attorney
Administrative Officer

Ken Fabre
Julie McCullouch

CITY OF BAKER, LOUISIANA
Annual Financial Report
For the Year Ended June 30, 2018

Organization Chart



FINANCIAL SECTION



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major funds, and the remaining fund information of the City of Baker (the City) as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents have issued our report thereon dated December 22, 2018.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT
(Continued)

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the major funds and the remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21 and budgetary comparison information on pages 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the schedule of compensation, benefits and other payments to chief executive officer and the schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT
(Continued)

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

Other Matters, continued

Other Information, continued

The combining nonmajor fund financial statements, the schedule of compensation, benefits and other payment to chief executive officer and the schedule of compensation paid to board members are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining nonmajor fund financial statements and the schedule of compensation paid to board members are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 22, 2018

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Our analysis of the City of Baker's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's Financial statements which begin on page 23. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting change, and currently known facts.

Financial Highlights

The major financial highlights for 2018 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$16.9 million (net position). Of this amount, unrestricted net position is currently in a deficit of \$5.7 million, primarily related to the net pension liability (\$10.6 million), deferred inflows of resources related to the pension liability (\$1.2 million), and other post-employment benefits obligation (\$6 million), which was recorded in 2017 with implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.
- The primary government's total net position decreased by \$607,000 during 2018.
- Governmental activities' net position decreased by \$1,151,000.
- Business-type activities' net position increased by \$544,000.
- As of the end of the year, the primary governmental funds reported combined fund balances of \$9.5 million, a decrease of \$2.1 million in comparison to the prior year.

Significant aspects of the City's financial well-being, as of and for the year ended June 30, 2018, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

Under Accounting Standards Board Statement No. 34, a government's presentation of financial statements focuses on both the government as a whole and on major individual funds. Both perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 23 and 24) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Fund financial statements start on page 26. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

Our auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditors regarding the required supplementary information and the other supplementary information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

Our analysis of the City as a whole begins on page 23. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two (2) statements report the City's net position and related changes. You can think of the City's net position (the difference between assets and deferred outflows and liabilities and deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City'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 and sales tax base and the condition of the City's infrastructure, 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 public safety, streets and sanitation, culture and recreation, economic development and general administration. Property and sales taxes, charges for services, and state and federal grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover the cost of certain services it provides. In addition to the cemetery, the City operates a gas, water and wastewater treatment systems which are reported here.

The analysis of the primary government focuses on the net position and change in net position of the City's governmental activities and business-type activities.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

City of Baker, Louisiana
Statement of Net Position
June 30, 2018 and 2017
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,450	\$ 12,211	\$ 11,287	\$ 9,989	\$ 21,737	\$ 22,200
Capital assets	<u>9,940</u>	<u>8,847</u>	<u>7,313</u>	<u>7,589</u>	<u>17,253</u>	<u>16,436</u>
Total assets	<u>20,390</u>	<u>21,058</u>	<u>18,600</u>	<u>17,578</u>	<u>38,990</u>	<u>38,636</u>
Deferred outflows of resources	<u>2,489</u>	<u>3,555</u>	<u>534</u>	<u>645</u>	<u>3,023</u>	<u>4,200</u>
Current and other liabilities	1,070	882	3,938	3,500	5,008	4,382
Long-term liabilities	<u>14,488</u>	<u>15,884</u>	<u>4,425</u>	<u>3,735</u>	<u>18,913</u>	<u>19,619</u>
Total liabilities	<u>15,558</u>	<u>16,766</u>	<u>8,363</u>	<u>7,235</u>	<u>23,921</u>	<u>24,001</u>
Deferred inflows of resources	<u>1,151</u>	<u>721</u>	<u>52</u>	<u>58</u>	<u>1,203</u>	<u>779</u>
Net position:						
Net investment in capital assets	9,940	8,847	6,939	5,974	16,879	14,821
Restricted	5,709	6,563	12	284	5,721	6,847
Unrestricted	<u>(9,479)</u>	<u>(8,089)</u>	<u>3,768</u>	<u>3,917</u>	<u>(5,711)</u>	<u>(4,172)</u>
Total net position	<u>\$ 6,170</u>	<u>\$ 7,321</u>	<u>\$ 10,719</u>	<u>\$ 10,175</u>	<u>\$ 16,889</u>	<u>\$ 17,496</u>

At June 30, 2018, the City's net position was \$16.9 million, unrestricted net position is in a deficit of \$5.7 million, primarily related to a net pension liability and the related deferred inflows of resources and other post-employment benefits liability of \$11.8 and \$5.9 million, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use that net position for day-to-day operations.

Net position of the City's governmental activities increased by approximately \$1.1 million during 2018, ending the year with unrestricted net position in a deficit of \$9.5 million. Unrestricted net position represents the portion of the City's resources that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The City operates a cemetery and utility systems for its constituents. The principal focus of this activity is to operate on a profitable basis. For the current and past several years, the City has maintained its utility operations at a surplus. The net position of the City's business activities increased by approximately \$544,000 million during 2018.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

The results of this year's operations for the primary government as reported in the Statement of Activities, are as follows:

Changes in Net Position
For the years ended June 30, 2018 and 2017
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,880	\$ 2,724	\$ 4,278	\$ 3,881	\$ 7,158	\$ 6,605
Operating grants	177	746		50	177	796
General revenues:						
Ad valorem taxes	431	369	-	-	431	369
Sales taxes	5,074	5,598	-	-	5,074	5,598
Franchise taxes	662	664	-	-	662	664
Other taxes	326	333	-	-	326	333
Other general revenues	<u>925</u>	<u>2,260</u>	<u>32</u>	<u>12</u>	<u>957</u>	<u>2,272</u>
Total revenues	<u>10,475</u>	<u>12,694</u>	<u>4,310</u>	<u>3,943</u>	<u>14,785</u>	<u>16,637</u>
Functions/Program Expenses:						
General government	2,001	2,111	-	-	2,001	2,111
Public safety	5,913	6,206	-	-	5,913	6,206
Public works	2,985	3,967	-	-	2,985	3,967
Highways and streets	531	132	-	-	531	132
Culture and recreation	196	64	-	-	196	64
Utilities	-	-	3,320	3,435	3,320	3,435
Cemetery	-	-	390	261	390	261
Sewer treatment	<u>-</u>	<u>-</u>	<u>56</u>	<u>39</u>	<u>56</u>	<u>39</u>
Total expenses	<u>11,626</u>	<u>12,480</u>	<u>3,766</u>	<u>3,735</u>	<u>15,392</u>	<u>16,215</u>
Change in Net Position	\$ <u>(1,151)</u>	\$ <u>214</u>	\$ <u>544</u>	\$ <u>208</u>	\$ <u>(607)</u>	\$ <u>422</u>

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

An analysis of the City's major funds begins on page 26 with the fund financial statements that provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes other funds to control and manage financial resources for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other assets. The City's two kinds of funds, governmental and proprietary, use different accounting bases.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the City's basic services are reported in governmental funds. These funds use the modified accrual bases of 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's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in a reconciliation to the financial statements. The governmental major funds (See pages 26 and 28) presentation is presented using modified accrual basis and focus on the major funds of the City.

Proprietary funds—When the City charges customers for the services it provides, whether to outside customers or to other units of the City, 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 (Public Utility Fund, Cemetery Fund, and City-Parish Sewer Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and begin on page 34.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds and schedules required by GASB 68. See pages 69 through 75.

Financial Analysis of the Government's Funds

The government operations of the City are accounted for in the General Fund, Half Cent Special Tax, Street Maintenance/construction, and Other Non-Major Governmental Funds. The focus of this fund information, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2018 by fund type:

	(in thousands)				
	General Fund	Half Cent Special Tax Fund	Street Maintenance Construction Fund	Other Non-Major Funds	Total
Revenues and other financing sources	\$ 9,026	\$ 875	\$ 703	\$ 1,783	\$ 12,387
Expenditures other and financing uses	(9,640)	(1,150)	(888)	(2,853)	(14,531)
Surplus (deficit)	(614)	(275)	(185)	(1,070)	(2,144)
 Fund Balance, June 30, 2017, as restated	 3,067	 634	 4,204	 3,719	 11,624
 Fund Balance, June 30, 2018	 \$ 2,453	 \$ 359	 \$ 4,019	 \$ 2,649	 \$ 9,480

The City's governmental funds experienced a deficit of approximately \$2.1 million during 2018. At year end, fund balances were approximately \$9.5 million. Approximately \$2.7 million is unassigned and available for utilization at the City's discretion. The remainder of the fund balance has been restricted, and committed, assigned, or classified as non-spendable. These restrictions are for debt service, infrastructure and maintenance public improvements. Committed and assigned funds are primarily to be used for public safety.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

The General Fund is the chief operating fund of the City. At the end of the fiscal year, fund balance of the General Fund was approximately \$2.5 million compared to the fund balance of \$3.1 million at the end of 2017. The decrease in fund balance resulted from an increase in capital outlay expenditures for the replacement equipment for the Fire Department that was damaged by the historic flood 2016.

The City's other major funds are the Half Cent Special Tax Fund and Street Maintenance/construction Fund. The Half Cent Special Tax Fund experienced a decrease in fund balance of approximately \$275,000. The Street Maintenance/Construction Fund experienced a decrease in fund balance of approximately \$185,000.

Sources of governmental revenues, excluding transfers, are summarized below.

Source of Revenue	(in thousands)			
	2018		2017	
	Revenue	Percent	Revenue	Percent
Taxes	\$ 6,493	63%	\$ 6,965	63%
Intergovernmental	1,995	19%	1,852	17%
Licenses and permits	622	6%	587	5%
Charges for services	747	7%	743	7%
Fines	253	3%	781	7%
Miscellaneous	156	2%	116	1%
Total	<u>\$ 10,266</u>	<u>100%</u>	<u>\$ 11,044</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for 2018 totaled \$10.3 million, compared with \$11 million for the previous year, representing nearly a \$779,000 or 7.1% decrease, primarily as a result of the decrease in intergovernmental revenues. As noted above, the City's activities are largely supported by tax revenues, which represent 63% of total governmental resources.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

The expenditures of the primary government increased by approximately \$793,000 in 2018, primarily related to capital outlay expenditures of approximately \$1.7 million. General governmental expenditures for each major function are summarized in the following table.

Function	(in thousands)			
	2018		2017	
	Expenditure	Percent	Expenditure	Percent
General government	\$ 1,617	13%	\$ 1,824	16%
Public safety	5,704	46%	5,735	49%
Public works	3,226	26%	3,508	30%
Recreation	195	2%	64	1%
Capital outlay	1,667	13%	485	4%
Total	<u>\$ 12,409</u>	<u>100%</u>	<u>\$ 11,616</u>	<u>100%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City's General Fund budget was amended to include decreases in charges for services, licenses and permits, and criminal fees and fines revenue. The budget was amended to reflect a decrease in intergovernmental revenues. Additionally, the budget was amended for decreases in total expenditures of approximately \$500,000.

At the conclusion of 2018, the actual charges to appropriations (expenditures) were \$202,000 less than the related final budget appropriations of \$9.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$17.3 million invested in a broad range of capital assets, including vehicles, fire equipment, computer equipment, office furniture, land, buildings, park facilities, roads, and sewer treatment systems. This amount represents no change in overall capital investment balance from the prior year.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

	(in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 874	\$ 874	\$ 373	\$ 373	\$ 1,247	\$ 1,247
Buildings	3,901	2,978	70	75	3,971	3,052
Equipment and vehicles	1,019	1,064	114	127	1,133	1,191
Utility systems	-	-	6,756	7,013	6,756	7,013
Infrastructure	4,146	3,932	-	-	4,146	3,932
Total assets net of depreciation	<u>\$ 9,940</u>	<u>\$ 8,848</u>	<u>\$ 7,313</u>	<u>\$ 7,588</u>	<u>\$ 17,253</u>	<u>\$16,435</u>

More detailed information about the City's capital assets as well as information of the City's capital projects is presented in Note 6 to the financial statements. The City had \$1.7 million in capital additions during 2018.

These capital outlays were primarily to upgrades of the City's fire department building and purchase of equipment and vehicles after the historic flood of 2016. Depreciation expense of the City's assets of \$884,000 resulted in a net increase in capital assets of approximately \$817,000.

Debt

At year-end, the City had \$19.1 million in bonds and long-term obligations versus \$20.6 million last year, a decrease of \$1.5 million, as shown below.

	Governmental Activities			
	(in thousands)			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Net post-employment benefits	\$ 4,848	\$ 28	\$ -	\$ 4,876
Compensated absences	659	80	-	739
Net pension liability	10,401	-	1,503	8,898
Claims and judgements	75	-	-	75
Total	<u>\$ 15,983</u>	<u>\$ 108</u>	<u>\$ 1,503</u>	<u>\$ 14,588</u>

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

	Business-Type Activities			
	(in thousands)			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Net post-employment benefits	\$ 1,090	\$ 6	\$ -	\$ 1,096
Compensated absences	204	22	-	226
Net pension liability	1,708	-	20	1,688
Bonds payable	1,615	-	99	1,516
Total	\$ 4,617	\$ 28	\$ 119	\$ 4,526

They City remained current on all bonds and notes outstanding and retired \$99,000 in bonds payable during 2018.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the FY 2019 budget and tax rates. One of those factors is the local economy. With sales tax being the largest source of income to support the general government operations of the City, local business activities can have a significant impact on the City.

For 2019, revenues and other financial sources for the general fund are budgeted approximately \$8.7 million, with operating expenditures expected to be \$9.8 million. Additionally, the City is anticipating capital expenditures of approximately \$1.5 million, to be funded with various grants and prior years' fund balance accumulation.

Taxes will continue to be the largest source of revenue for the City accounting for 60% of total budgeted governmental revenues in 2019. The City budgeted a decrease in revenue and other financing sources of \$335,000 in the General Fund compared to results for the current year. The decrease relates primarily to a decrease of approximately \$800,000 in transfers in and an increase in traffic fines now being accounted for in the general fund instead of the previous non-major special revenue fund of approximately \$447,000. Additionally, the City is projecting an increase in operating expenditures of \$1.4 million compared to the current year, primarily related to expenditures now being accounted for in the general fund that were previously accounted for in non-major special revenue funds and an increase in police and fire retirement expenses. The City has also planned projected capital outlay of approximately \$1.6 million. If these estimates are realized during 2019, the City's General Fund's fund balance will decrease by \$2.6 million, as compared to a decrease of \$614,000 during 2018.

CITY OF BAKER, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2018

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Sue Stages with the City's Finance Department at (225) 778-1751, or 3325 Groom Road, Baker Louisiana, 70714. Additional information about the City can be found on the City's website: <http://www.cityofbakerla.com/>

Basic Financial Statements

CITY OF BAKER, LOUISIANA
Government-Wide
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents (NOTES 1 and 2)	\$ 5,451,558	\$ 6,333,502	\$ 11,785,060
Investments (NOTES 1 and 2)	5,618,506	1,031,631	6,650,137
Inventory and prepaids	168,012	277,771	445,783
Receivables: (NOTE 4)			
Accounts, net	550,796	1,167,886	1,718,682
Taxes	974,050	-	974,050
Internal balances	(2,464,818)	2,464,818	-
Due from other governments	152,177	-	152,177
Restricted assets:			
Cash and cash equivalents	-	11,693	11,693
Capital assets: (NOTE 6)			
Land	873,722	373,572	1,247,294
Depreciable capital assets, net	9,066,180	6,939,457	16,005,637
Total assets	<u>20,390,183</u>	<u>18,600,330</u>	<u>38,990,513</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension liability (NOTE 7)	<u>2,488,567</u>	<u>534,369</u>	<u>3,022,936</u>
Total assets and deferred outflows of resources	<u>22,878,750</u>	<u>19,134,699</u>	<u>42,013,449</u>
LIABILITIES			
Current liabilities:			
Accounts payable	739,912	591,473	1,331,385
Accrued liabilities	229,899	804,016	1,033,915
Bonds payable, current portion (NOTE 9)	-	101,000	101,000
Customer utility deposits	-	1,096,524	1,096,524
Merchandise payable	-	1,288,656	1,288,656
Unearned revenue	500	56,260	56,760
Current portion of compensated absences (NOTE 9)	<u>100,000</u>	<u>10,000</u>	<u>110,000</u>
Total current liabilities	<u>1,070,311</u>	<u>3,947,929</u>	<u>5,018,240</u>
Non-current liabilities: (NOTE 9)			
Bonds payable, less current portions	-	1,415,000	1,415,000
Compensated absences, less current portion	638,810	216,191	855,001
Other post employment benefits (NOTE 8)	4,875,615	1,095,645	5,971,260
Claims liability reserve	75,000	-	75,000
Net pension liability (NOTE 7)	<u>8,898,152</u>	<u>1,688,512</u>	<u>10,586,664</u>
Total non-current liabilities	<u>14,487,577</u>	<u>4,415,348</u>	<u>18,902,925</u>
DEFERRED INFLOWS OF RESOURCES			
Pension liability (NOTE 7)	<u>1,150,708</u>	<u>52,497</u>	<u>1,203,205</u>
Total liabilities and deferred inflows of resources	<u>16,708,596</u>	<u>8,415,774</u>	<u>25,124,370</u>
NET POSITION			
Net investment in capital assets	9,939,902	5,797,029	15,736,931
Restricted	5,709,081	11,693	5,720,774
Unrestricted	<u>(9,478,829)</u>	<u>4,910,203</u>	<u>(4,568,626)</u>
Total net position	<u>\$ 6,170,154</u>	<u>\$ 10,718,925</u>	<u>\$ 16,889,079</u>

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

CITY OF BAKER, LOUISIANA
Government-Wide
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 2,001,346	\$ 1,693,482	\$ -	\$ (307,864)	\$ -	\$ (307,864)
Public safety	5,912,787	885,314	-	(5,027,473)	-	(5,027,473)
Public works	2,985,276	47,089	177,463	(2,760,724)	-	(2,760,724)
Highway and streets	531,067	198,933	-	(332,134)	-	(332,134)
Culture and recreation	195,436	55,004	-	(140,432)	-	(140,432)
Total governmental activities	11,625,912	2,879,822	177,463	(8,568,627)	-	(8,568,627)
Business-type activities:						
Enterprise - Utilities	3,320,126	3,981,654	-	-	661,528	661,528
Enterprise - Cemetery	389,905	236,803	-	-	(153,102)	(153,102)
Enterprise - City Parish Sewer	55,499	59,766	-	-	4,267	4,267
Total business-type activities	3,765,530	4,278,223	-	-	512,693	512,693
Total primary government	\$ 15,391,442	\$ 7,158,045	\$ 177,463	(8,568,627)	512,693	(8,055,934)
General revenues:						
Taxes:						
Sales taxes				5,073,638	-	5,073,638
Property taxes				431,051	-	431,051
Franchise taxes				662,033	-	662,033
Other taxes				326,287	-	326,287
Licenses and permits				483,529	-	483,529
Interest and Investment earnings				137,669	6,748	144,417
Grants and contributions not restricted to specific programs				284,233	24,843	309,076
Other				18,643	200	18,843
				7,417,083	31,791	7,448,874
Change in net position				(1,151,544)	544,484	(607,060)
Net position - beginning of year, restated				7,321,698	10,174,441	17,496,139
Net position - end of year				\$ 6,170,154	\$ 10,718,925	\$ 16,889,079

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

Fund Financial Statements

CITY OF BAKER, LOUISIANA
Governmental Fund
Balance Sheet
June 30, 2018

	Special Revenue Funds			Other	Total
	General	Half Cent	Street	Non-Major	Governmental
	Fund	Special Tax	Maintenance /	Governmental	Governmental
			Construction	Funds	Funds
ASSETS					
Cash and cash equivalents	\$ 480,019	\$ 54,640	\$ 2,081,277	\$ 2,835,622	\$ 5,451,558
Investments	3,630,285	-	1,870,350	117,871	5,618,506
Inventory and prepaids	168,012	-	-	-	168,012
Receivables:					
Accounts, net	550,796	-	-	-	550,796
Taxes	733,781	140,113	100,156	-	974,050
Due from other funds	2,855	170,281	-	-	173,136
Due from other governments	152,177	-	-	-	152,177
Total assets	<u>\$ 5,717,925</u>	<u>\$ 365,034</u>	<u>\$ 4,051,783</u>	<u>\$ 2,953,493</u>	<u>\$ 13,088,235</u>
LIABILITIES					
Accounts payable	\$ 615,657	\$ 5,392	\$ 32,262	\$ 86,601	\$ 739,912
Accrued liabilities	10,877	1,111	124	218,287	230,399
Due to other funds	2,637,954	-	-	-	2,637,954
Total liabilities	<u>3,264,488</u>	<u>6,503</u>	<u>32,386</u>	<u>304,888</u>	<u>3,608,265</u>
FUND BALANCE					
Non-spendable	168,012	-	-	-	168,012
Restricted	-	358,531	4,019,397	1,523,174	5,901,102
Committed	-	-	-	682,220	682,220
Assigned	-	-	-	443,211	443,211
Unassigned	2,285,425	-	-	-	2,285,425
Total fund balance	<u>2,453,437</u>	<u>358,531</u>	<u>4,019,397</u>	<u>2,648,605</u>	<u>9,479,970</u>
Total liabilities and fund balance	<u>\$ 5,717,925</u>	<u>\$ 365,034</u>	<u>\$ 4,051,783</u>	<u>\$ 2,953,493</u>	<u>\$ 13,088,235</u>

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

CITY OF BAKER, LOUISIANA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total net assets reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental fund	\$	9,479,970
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental fund, net of accumulated depreciation.		9,939,902
Long-term liabilities are not due and payable in the current period, and, therefore, are not presented in the governmental funds:		
Deferred outflows related to pension liability	2,488,567	
Compensated absences payable	(738,810)	
Claims and judgments payable	(75,000)	
Net other post employment benefit obligation	(4,875,615)	
Deferred inflows related to pension liability	(1,150,708)	
Net pension liability	<u>(8,898,152)</u>	<u>(13,249,718)</u>
Net position of governmental activities	\$	<u>6,170,154</u>

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

CITY OF BAKER, LOUISIANA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Funds			Other	Total
	General	Half Cent	Street	Non-Major	Governmental
	Fund	Special Tax	Maintenance /	Governmental	Funds
			Construction	Funds	
REVENUES					
Taxes:					
Sales	\$ 3,496,508	\$ 873,791	\$ 703,339	\$ -	\$ 5,073,638
Franchise	662,033	-	-	-	662,033
Property	431,051	-	-	-	431,051
Hotel/Motel	179,147	-	-	-	179,147
Other	147,140	-	-	-	147,140
Charges for services	1,795,575	-	-	198,933	1,994,508
License and permits	483,529	-	-	138,093	621,622
Criminal fees and fines	109,817	-	-	637,404	747,221
Investment income	-	979	-	1,172	2,151
Intergovernmental	252,928	-	-	-	252,928
Other revenue	135,518	-	-	18,643	154,161
Total revenues	7,693,246	874,770	703,339	994,245	10,265,600
EXPENDITURES					
Current function:					
General government	1,612,299	5,156	-	-	1,617,455
Public safety	3,900,838	654,179	-	1,148,592	5,703,609
Public works	2,685,402	-	531,067	9,352	3,225,821
Recreation	195,436	-	-	-	195,436
Capital outlay	1,246,324	-	357,243	63,444	1,667,011
Total expenditures	9,640,299	659,335	888,310	1,221,388	12,409,332
(Deficiency) Excess of revenues over expenditures	(1,947,053)	215,435	(184,971)	(227,143)	(2,143,732)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,333,434	-	-	788,442	2,121,876
Transfers out	-	(490,297)	-	(1,631,579)	(2,121,876)
Total other financing sources (uses), net	1,333,434	(490,297)	-	(843,137)	-
Net change in fund balance	(613,619)	(274,862)	(184,971)	(1,070,280)	(2,143,732)
FUND BALANCE					
Beginning of year, restated	3,067,056	633,393	4,204,368	3,718,885	11,623,702
End of year	\$ 2,453,437	\$ 358,531	\$ 4,019,397	\$ 2,648,605	\$ 9,479,970

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

CITY OF BAKER, LOUISIANA
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balance - total governmental funds	\$ (2,143,732)
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The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.

Capital outlay	1,667,011	
Depreciation expense	<u>(574,399)</u>	1,092,612

The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. The payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.

(79,448)

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 governmental funds.

Net change in other post employment benefits obligation	(27,450)
Changes in net pension obligations are reported only in the Statement of Activities	<u>6,474</u>

Change in net position of governmental activities	<u>\$ (1,151,544)</u>
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CITY OF BAKER, LOUISIANA
Enterprise Fund
Statement of Net Position
June 30, 2018

	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,742,876	\$ 312,605	\$ 278,021	\$ 6,333,502
Investments	732,438	299,193	-	1,031,631
Accounts receivable, net	358,227	104,300	705,359	1,167,886
Due from other funds	2,478,807	-	-	2,478,807
Inventory, prepaids, and other	60,106	217,665	-	277,771
Total current assets	9,372,454	933,763	983,380	11,289,597
Restricted assets:				
Cash and Cash equivalents	-	11,693	-	11,693
Capital assets:				
Nondepreciable	243,572	130,000	-	373,572
Depreciable, net	6,847,966	91,491	-	6,939,457
Total assets	16,463,992	1,166,947	983,380	18,614,319
DEFERRED OUTFLOW OF RESOURCES				
Pension liability	466,277	68,092	-	534,369
Total assets and deferred outflows of resources	\$ 16,930,269	\$ 1,235,039	\$ 983,380	\$ 19,148,688
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 561,773	\$ 27,395	\$ 2,305	\$ 591,473
Accrued liabilities	35,467	-	768,549	804,016
Bonds payable	101,000	-	-	101,000
Customer utility deposits	1,096,524	-	-	1,096,524
Due to other funds	11,312	2,677	-	13,989
Merchandise payable	-	1,288,656	-	1,288,656
Unearned revenue	56,260	-	-	56,260
Current portion of compensated absences	9,500	500	-	10,000
Total current liabilities	1,871,836	1,319,228	770,854	3,961,918
Non-current liabilities:				
Bonds payable	1,415,000	-	-	1,415,000
Compensated absences	214,940	1,251	-	216,191
Other post employment benefits	931,297	109,564	54,784	1,095,645
Net pension liabilities	1,473,353	215,159	-	1,688,512
Total non-current liabilities	4,034,590	325,974	54,784	4,415,348
Total liabilities	5,906,426	1,645,202	825,638	8,377,266
DEFERRED INFLOWS OF RESOURCES				
Pension liability	45,807	6,690	-	52,497
Total liabilities and deferred inflows of resources	5,952,233	1,651,892	825,638	8,429,763
NET POSITION				
Net investment in capital assets	5,575,538	221,491	-	5,797,029
Restricted	-	11,693	-	11,693
Unrestricted	5,402,498	(650,037)	157,742	4,910,203
Total net position	10,978,036	(416,853)	157,742	10,718,925
Total liabilities and net position	\$ 16,930,269	\$ 1,235,039	\$ 983,380	\$ 19,148,688

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

CITY OF BAKER, LOUISIANA
Enterprise Funds
Statement of Revenue, Expense, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
OPERATING REVENUES				
Charges for services:				
Water	\$ 997,853	\$ -	\$ -	\$ 997,853
Natural gas	1,831,036	-	-	1,831,036
Sewer	820,233	-	59,766	879,999
Other	332,532	200	-	332,732
Sales	-	236,803	-	236,803
Total operating revenues	<u>3,981,654</u>	<u>237,003</u>	<u>59,766</u>	<u>4,278,423</u>
OPERATING EXPENSES				
Payroll and related benefits	1,130,145	224,674	39,200	1,394,019
Cost of goods sold	534,319	87,027	-	621,346
Rent expense	337,879	-	-	337,879
Depreciation	300,173	9,641	-	309,814
Repairs and maintenance	195,007	19,702	-	214,709
Supplies	177,674	4,118	16,100	197,892
Utilities	112,300	7,797	-	120,097
Contractual services	110,740	-	-	110,740
Auto expense	100,566	8,499	-	109,065
Bad debt	117,993	-	-	117,993
Insurance expense	56,813	4,459	74	61,346
Other operating expense	100,335	23,988	125	124,448
Total operating expenses	<u>3,273,944</u>	<u>389,905</u>	<u>55,499</u>	<u>3,719,348</u>
Operating income (loss)	<u>707,710</u>	<u>(152,902)</u>	<u>4,267</u>	<u>559,075</u>
NON-OPERATING INCOME (EXPENSE)				
Grant proceeds	21,677	3,166	-	24,843
Interest expense	(46,182)	-	-	(46,182)
Interest income	2,314	4,434	-	6,748
Total nonoperating, net	<u>(22,191)</u>	<u>7,600</u>	<u>-</u>	<u>(14,591)</u>
Change in net position	685,519	(145,302)	4,267	544,484
NET POSITION				
Beginning of year, restated	<u>10,292,517</u>	<u>(271,551)</u>	<u>153,475</u>	<u>10,174,441</u>
End of year	<u>\$ 10,978,036</u>	<u>\$ (416,853)</u>	<u>\$ 157,742</u>	<u>\$ 10,718,925</u>

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

CITY OF BAKER, LOUISIANA
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

	Public Utility Fund	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,006,366	\$ 248,504	\$ 92,518	\$ 4,347,388
Payments to suppliers	(1,550,404)	(44,500)	(13,378)	(1,608,282)
Payments to employees	(1,102,561)	(137,459)	(40,131)	(1,280,151)
Net cash provided by operating activities	<u>1,353,401</u>	<u>66,545</u>	<u>39,009</u>	<u>1,458,955</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Increase (decrease) in customer deposits	(19,739)	7,456	-	(12,283)
Operating grants	21,677	3,166	-	24,843
Decrease in net amount due from other funds	<u>34,420</u>	<u>-</u>	<u>-</u>	<u>34,420</u>
Net cash provided by noncapital and related financing activities	<u>36,358</u>	<u>10,622</u>	<u>-</u>	<u>46,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(20,627)	(13,505)	-	(34,132)
Principal payment on bonds payable	(99,000)	-	-	(99,000)
Interest payments on bonds payable	<u>(46,182)</u>	<u>-</u>	<u>-</u>	<u>(46,182)</u>
Net cash used by capital and related financing activities	<u>(165,809)</u>	<u>(13,505)</u>	<u>-</u>	<u>(179,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	(34,636)	-	(34,636)
Interest on investments	<u>2,314</u>	<u>4,434</u>	<u>-</u>	<u>6,748</u>
Net cash provided (used) by investing activities	<u>2,314</u>	<u>(30,202)</u>	<u>-</u>	<u>(27,888)</u>
Net increase in cash	<u>1,226,264</u>	<u>33,460</u>	<u>39,009</u>	<u>1,298,733</u>
CASH				
Beginning of period	<u>4,516,612</u>	<u>279,145</u>	<u>239,012</u>	<u>5,034,769</u>
End of period	<u>5,742,876</u>	<u>312,605</u>	<u>278,021</u>	<u>6,333,502</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ 707,710	\$ (152,902)	\$ 4,267	\$ 559,075
Adjustments for to reconcile operating loss to net cash provided by operating activities:				
Depreciation	300,173	9,641	-	309,814
Change in operating assets and liabilities:				
Change in net pension liability and related deferred outflows and inflows	(660,438)	86,955	309	(573,174)
Accounts receivable and other assets	51,855	16,427	(77,418)	(9,136)
Accounts payable and other accrued liabilities	<u>954,101</u>	<u>106,424</u>	<u>111,851</u>	<u>1,172,376</u>
Net cash provided by operating activities	<u>\$ 1,353,401</u>	<u>\$ 66,545</u>	<u>\$ 39,009</u>	<u>\$ 1,458,955</u>

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

Notes to the Basic Financial Statements

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Baker, Louisiana (hereafter referred to as the City) was originally governed by the provisions of the Lawarson Act, Louisiana Revised Statute 33:321-481. The electorate adopted a Home Rule Charter on May 16, 1970, that would become effective on July 1, 1972. The Charter provided for a mayor-council form of government. The Council is elected to member districts. There are five council members, and they are compensated for their services.

The purpose of the municipality is to promote the general welfare and the safety, health, peace, good order, comfort, convenience and moral of its inhabitants.

The City is situated in the northwest part of the Parish of East Baton Rouge. It is approximately 8.5 square miles in size with a population of approximately 13,000 residents. Within the boundaries are approximately 225 miles of roads maintained by the City.

Basis of Presentation

The accompanying financial statements of the City of Baker have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government-wide financial statements and the proprietary fund type financial statements as made applicable through GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

The financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable and a financial benefit/burden relationship exists.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Governmental accounting standards through the Governmental Accounting Standards Board Statement No. 14, as amended through Statement No. 61, *The Financial Reporting Entity*, establishes the criteria for determining which component units should be considered part of the consolidated government for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit
2. Financial accountability
 - a. The primary government appoints a voting majority of the potential component units governing body and the primary government is able to impose its will on the potential component unit or
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.
3. Financial benefit/burden relationship between the City and the potential component unit.
4. Misleading to exclude due to the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Blended Component Units

The Baker City Court (the Court) and the Marshal Fund are both separate legal entities and governed by their own elected officials but are considered blended component units. The court and Marshal Fund have been reported in the special revenue funds in the accompanying financial statements.

Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements (individual major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement

The GASB recently issued GASB Statement No. 75, *Accounting for Postemployment Benefits*, which supersedes accounting standards that currently exist regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of actuarially determined accrued benefits less amounts funded into a trust rather than recognizing the liability based upon the difference between funding recommendations and actual contributions, as was previously required. Additionally, the liability is now measured based on more prescriptive standards. The standard became effective for annual reporting periods beginning after June 15, 2017. The effect of the new standard on beginning net position for the year ended June 30, 2018 is discussed in Note 13 to the financial statements.

Government-Wide Financial Statements

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

Government activities generally are financed through taxes, intergovernmental revenues, fines, charges for services, and other nonexchange revenues.

Business-type activities are financed in whole or part by fees charged to external parties for utility services provided. The City's natural gas, sewer, and water services are classified as business-type services.

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

Separate financial statements are provided for governmental funds and proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Fund financial reporting is on the major fund level in either the governmental or business-type categories. Major funds are presented alone in a separate column, while non-major funds are summarized into a single column in the basic financial statements. The following are the City's primary governmental funds:

General Fund - the primary operating fund of the City and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to City policy. The General Fund is always a major fund.

Special revenue funds - account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, or designated by the City to be accounted for separately. The following special revenue funds are reported as major funds in the financial statements:

The Half Cent Special Tax Fund accounts for the ½-cent sales tax dedicated to salaries and benefits of policemen and firemen.

The Street Maintenance/Operations Fund accounts for the ½-cent sales tax dedicated to road repairs and maintenance and capital improvements.

Business-type Activities – Enterprise Funds

Business-type activities presented as major enterprise funds in the fund financial statements include:

The Utility Fund accounts for all financial resources related to the water system, sewer system, and garbage collection.

The Cemetery Fund accounts for the operations of the Hillcrest Cemetery.

The City Parish Sewer Revenue Fund accounts for the collection of fees and payment to the Parish of East Baton Rouge for the management of the City's sewer system.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are user fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Those revenues susceptible to accrual are property taxes, franchise taxes, beer taxes, and video poker monies. Sales taxes collected and held by intermediary collecting governments at year-end on behalf of the City also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Short-Term Interfunds Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Elimination and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payable were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

All inventories are valued at cost using the first-in/first out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

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

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

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

Description	Estimated Lives
Buildings	10-40 years
Equipment	4-10 years
Office Furniture	5-10 years
Vehicles	3-20 years
Infrastructure	40-50 years

Compensated Absences

The City allows annual leave to regular full-time employees based on a length of service. No leave is earned, however, while on suspension or leave without pay status. Annual leave may be carried over to the next calendar year. There is no limit on the amount of annual leave an employee may accumulate during the term of his/her employment, but it is with the understanding that only a maximum of 400 hours will be paid to employees upon retirement or separation. Employees are not paid for their annual leave at year-end, but are paid for accumulated, unused leave upon termination.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick leave is earned by regular employees at the rate of one day per month, and it may be accumulated up to 360 working days. Employees may be paid for unused sick leave upon separation, provided that he/she is in good standing and a two-week notice is given.

Exceptions apply to police and fire department personnel. They are allowed to accumulate all vacation leave earned and have unlimited sick leave up to one year. Upon separation, they are paid for accumulated sick leave that had accumulated prior to June 30, 1994.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No.6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March 2000), no compensated absences liability is recorded at June 30, 2018, in the governmental fund financial statements. The liquidation of the compensated absence liabilities will be paid proportional to funds in which the compensation was paid, primarily the general and utility funds.

Restricted Net Assets

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

The City adopted GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. GASB No. 54 requires the fund balance amounts to be reported within the following fund balance classifications:

1. **Nonspendable:** Fund balance amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. **Restricted:** Fund balance amounts with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Fund Financial Statements (Continued)

3. **Committed:** Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.
4. **Assigned:** Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the government body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
5. **Unassigned:** Fund balance that is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Stewardship, Compliance, and Accountability

At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it. At least ten days prior to the date of such hearing, the council publishes in the official journal a general summary of the proposed budget. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the fifteenth day of the last month of the fiscal year. Budgetary amendments involving the transfer of funds from one department, office, or agency to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the adoption of an ordinance by the Council.

Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended. Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

principles (GAAP). Budgeted amounts are as originally adopted or as amended from time to time by the City Council.

Interfund Transfers

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

Estimates

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

Levied Taxes

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

The East Baton Rouge Parish Sheriff bills and collects the City's property taxes using the assessed values determined by the Tax Assessor of East Baton Rouge Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values to the extent available.

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

<u>Fund Type</u>	<u>Purpose</u>	<u>Millage</u>	<u>Expiration Date</u>
General	General purpose	6.22	Indefinite

Historically, virtually all ad valorem taxes receivable are collected since they are secured by property; therefore, there is no allowance for uncollectible taxes.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Levied Taxes (Continued)

Sales taxes are recognized as revenue in the month of the underlying sale transaction. The City-Parish of East Baton Rouge has been contracted to collect and remit this tax to the City. The following is a summary of authorized sales taxes:

<u>Fund Type</u>	<u>Purpose</u>	<u>Percent</u>	<u>Expiration Date</u>
General	General purpose	2.00	None
Special Revenue	Salaries of firefighters, police, and other personnel and acquisition of public safety equipment	0.50	None
Special Revenue	Street maintenance and construction	0.50	12/31/2030

NOTE 2 - CASH AND INVESTMENTS

Deposits and Cash Equivalents

At June 30, 2018, the City had cash (book balances) totaling \$11,796,753 (inclusive of restricted cash of \$11,693) consisting primarily of demand deposit accounts and certificates of deposits at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Baker's name. At June 30, 2018, the City's bank balances amounted to \$12,140,507. Of the bank balances, \$1,085,000 was covered by federal depository insurance and the remaining balance was protected against custodial credit risk by collateral held by the pledging banks' trust department or agent in the City's name.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments

Investments are limited by LA Revised Statute 33:2955. If the original maturities of investments exceed 90 days, including bank certificates of deposit, they are classified as investments. Otherwise, they are classified as cash and cash equivalents. In accordance with GASB No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investments earnings.

The City entered into an Investment Management Agreement with Hancock Trust Division (now Whitney Bank) on June 9, 1999 with an initial investment of \$4,000,000. Of this amount, at least \$300,000 is to be maintained in a money market account at all times. The goals of the City are 1) safety of principal, 2) liquidity and 3) yield.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has no policy limiting concentration of credit risk.

The City's investments include certificates of deposit in financial institutions chartered or having principal offices in Louisiana and U. S. Treasury securities. The certificates of deposit are secured by the pledge of securities owned by the financial institution issuing the certificate of deposit and are not subject to credit risk disclosure. The U. S. Treasury and US Agency securities are rated AAA by Standard and Poor's.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be used to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are insured, or are not registered in the name of the City and are held by either the counterparty or the counterparty's trust department or agent, but not in the City's name. The city was not exposed to custodial credit risk as of June 30, 2018. However, the City does not have a policy regarding custodial credit risk.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 3 - CONCENTRATION OF CREDIT RISK (CONTINUED)

Interest Rate Risk (Continued)

As of June 30, 2018, the City had the following investments in long-term debt securities and maturities:

Investments reported on the governmental-wide Statement of Net Position totaled \$6,650,137 as of June 30, 2018, which included \$5,486,355 fixed-income trusts investments and \$1,163,782 of certificates of deposit with maturities greater than 90 days.

The City has no formal policy regarding interest rate risk.

NOTE 4 - ACCOUNTS RECEIVABLE

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

Accounts receivable at June 30, 2018 were as follows:

Governmental Activities:

	General Fund	Half Cent Special Tax	Street Maintenance/ Construction	Non-Major Governmental Funds	Total
Accounts receivable	\$ 600,284	\$ -	\$ -	\$ -	\$ 600,284
Sales tax	490,747	140,113	100,156	-	731,016
Franchise tax	243,034	-	-	-	243,034
Total receivable	1,334,065	140,113	100,156	-	1,574,334
Less: Allowance for uncollectibles	(49,488)	-	-	-	(49,488)
Receivables, net	\$ 1,284,577	\$ 140,113	\$ 100,156	\$ -	\$ 1,524,846

Business-type Activities:

	Utility	Cemetery	City Parish Sewer Revenue	Total
Accounts receivable	\$ 567,749	\$ 104,300	\$ 705,359	\$ 1,377,408
Less: Allowance for uncollectibles	(209,522)	-	-	(209,522)
Receivables, net	\$ 358,227	\$ 104,300	\$ 705,359	\$ 1,167,886

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Individual fund interfund receivable and payables as of June 30, 2018, as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 2,855	\$ 2,637,954
Special Revenue Fund:		
Half-Cent Special Tax fund	170,281	-
Subtotal - Major Governmental Funds	<u>173,136</u>	<u>2,637,954</u>
Business-type - Enterprise Funds:		
Cemetery Fund	-	2,677
Utility Fund	2,478,807	11,312
Subtotal - Enterprise Funds	<u>2,478,807</u>	<u>13,989</u>
Total	<u>\$ 2,651,943</u>	<u>\$ 2,651,943</u>

For the year ended June 30, 2018, interfund transfers consisted of the follows:

	Transfer in	Transfer out
Major Governmental Funds:		
General Fund	\$ 1,333,434	\$ -
Special Revenue Fund:		
Half-Cent Special Tax fund	-	490,297
Subtotal - Major Governmental Funds	<u>1,333,434</u>	<u>490,297</u>
Non-Major Governmental Fund:		
Special Revenue Fund:		
Drivers License Building Fund	-	317,359
Grant Fund	148,121	-
Accrued Absence Fund	640,321	
Bond Sinking Fund		139,573
Workforce Development Fund	-	18,931
Code Enforcement Fund		29,258
Mobile Fire Training Fund	-	1,186
Traffic Division Fund	-	1,092,640
Supplemental Pay Fund	-	32,632
Subtotal - Non-Major Governmental Funds	<u>788,442</u>	<u>1,631,579</u>
Total	<u>\$ 2,121,876</u>	<u>\$ 2,121,876</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 6 - CAPITAL ASSETS

Governmental Activities

The following is a summary of the changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Not being depreciated:				
Land	\$ 873,722	\$ -	\$ -	\$ 873,722
Total capital assets, not being depreciated	<u>873,722</u>	<u>-</u>	<u>-</u>	<u>873,722</u>
Depreciated:				
Buildings	5,810,769	728,112	-	6,538,881
Improvements	2,726,426	348,062	-	3,074,488
Streets/Bridges	5,500,954	357,243	-	5,858,197
Equipment	2,635,960	89,821	-	2,725,781
Vehicles	4,027,224	63,444	-	4,090,668
Furniture and equipment	566,980	80,329	-	647,309
Total capital assets, being depreciated	<u>21,268,313</u>	<u>1,667,011</u>	<u>-</u>	<u>22,935,324</u>
Total capital assets	22,142,035	1,667,011	-	23,809,046
Less accumulated depreciation for:				
Buildings	2,844,549	136,367	-	2,980,916
Improvements	2,715,277	15,311	-	2,730,588
Streets/Bridges	1,569,110	142,986	-	1,712,096
Equipment	2,315,576	102,287	-	2,417,863
Vehicles	3,468,584	147,053	-	3,615,637
Furniture and equipment	381,649	30,395	-	412,044
Total accumulated depreciation	<u>13,294,745</u>	<u>574,399</u>	<u>-</u>	<u>13,869,144</u>
Total capital assets, being depreciated, net	<u>7,973,568</u>	<u>1,092,612</u>	<u>-</u>	<u>9,066,180</u>
Governmental activities capital assets, net	<u>\$ 8,847,290</u>	<u>\$ 1,092,612</u>	<u>\$ -</u>	<u>\$ 9,939,902</u>

Depreciation expense totaling \$574,399 for the year ended June 30, 2018 was charged to governmental functions as follows:

Public safety	\$ 309,289
Public works	225,810
General government	<u>39,300</u>
Total	<u>\$ 574,399</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-Type Activities

The following is a summary of the changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities:				
Not being depreciated:				
Land	\$ 373,572	\$ -	\$ -	\$ 373,572
Total capital assets, not being depreciated	<u>373,572</u>	<u>-</u>	<u>-</u>	<u>373,572</u>
Depreciated:				
Buildings	273,310	-	-	273,310
Utility systems	14,112,248	13,527	-	14,125,775
Streets	50,000	-	-	50,000
Equipment	1,809,451	20,605	-	1,830,056
Vehicles	430,082	-	-	430,082
Furniture and equipment	106,595	-	-	106,595
Total capital assets, being depreciated	<u>16,781,686</u>	<u>34,132</u>	<u>-</u>	<u>16,815,818</u>
Total capital assets	17,155,258	34,132	-	17,189,390
Less accumulated depreciation for:				
Buildings	197,679	5,476	-	203,155
Utility systems	7,098,622	271,452	-	7,370,074
Streets	50,000	-	-	50,000
Equipment	1,683,569	32,886	-	1,716,455
Vehicles	430,082	-	-	430,082
Furniture and equipment	106,595	-	-	106,595
Total accumulated depreciation	<u>9,566,547</u>	<u>309,814</u>	<u>-</u>	<u>9,876,361</u>
Total capital assets, being depreciated, net	<u>7,215,139</u>	<u>(275,682)</u>	<u>-</u>	<u>6,939,457</u>
Business-type activities capital assets, net	<u>\$ 7,588,711</u>	<u>\$ (275,682)</u>	<u>\$ -</u>	<u>\$ 7,313,029</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN

The City of Baker (the City) is a participating employer in several cost-sharing defined benefit pension plans. These plans are administered by four public employee retirement systems, the Municipal Employees' Retirement System of Louisiana (MERS), the Municipal Police Employees' Retirement System (MPERS), the Firefighters' Retirement System (FRS), and the Louisiana State Employees Retirement System (LASERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

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

MERS

7937 Office Park Boulevard
Baton Rouge, LA 70809
(225) 925-4810
www.mersla.com

MPERS

7937 Office Park Boulevard, Suite 2000
Baton Rouge, LA 70809
(225) 929-7411
www.lampers.org

FRS

3100 Brentwood Drive
Baton Rouge, LA 70809
(225) 925-4060
www.lafirefightersret.com

LASERS

8401 United Plaza Boulevard, 1st Floor
Baton Rouge, LA 70809
(225) 922-0600
www.lasersonline.org

Plan Descriptions:

The following descriptions of the plans and their benefits are provided for general information purposes only. Detailed information regarding eligibility, membership, retirement and survivor benefits, and other information should be found in the Plans' individual reports referenced above.

Municipal Employees' Retirement System of Louisiana (MERS)

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

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, 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.

Firefighters' Retirement System (FRS)

The Firefighters' Retirement System (FRS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251- 11:2272. 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.

Louisiana State Employees' Retirement System (LASERS)

One employee of the City is provided with pension through a cost-sharing multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC) in accordance with LRS 11:127.

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2018, for the City and covered employees were as follows:

	<u>City</u>	<u>Employees</u>
Municipal Employees' Retirement System Plan A		
Members hired prior to 01/01/2013	24.75%	9.50%
Members hired after 01/01/2013	24.75%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after 01/01/2013	31.75%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	33.75%	8.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	34.25%	7.50%
Firefighters' Retirement System		
Employees receiving compensation above poverty		
guidelines of US Department of Health	25.25%	10.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	27.25%	8.00%
Louisiana State Employees' Retirement System		
Judges hired before 01/01/11	39.10%	11.50%

(Continued)

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

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

The following schedule lists the City's proportionate share of the Net Pension Liability allocated by each of the pension plans for based on the June 30, 2017 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 rate. The City's proportion of the Net Pension Liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2018	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
MERS	\$ 5,020,738	1.2002%	1.1928%	0.0074%
MPERS	3,072,201	0.3519%	0.4622%	-0.1103%
FRS	2,096,172	0.3657%	0.3744%	-0.0087%
LASERS	<u>397,553</u>	0.0042%	0.0042%	0.0000%
Total	<u>\$ 10,586,664</u>			

The following schedule list each pension plan's recognized pension expense (benefit) of the City for the year ended June 30, 2018:

MERS	\$ 925,082
MPERS	89,919
FRS	323,123
LASERS	<u>79,517</u>
Total	<u>\$ 1,417,641</u>

(Continued)

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,117	\$ (300,718)
Changes of assumptions	390,230	(500)
Net difference between projected and actual earnings on pension plan investments	1,340,187	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	167,056	(901,987)
Differences between allocated and actual contributions	-	-
Employer contributions subsequent to the measurement date	1,105,346	-
Total	<u>\$ 3,022,936</u>	<u>\$ (1,203,205)</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
MERS	\$ 1,588,930	\$ (156,101)
MPERS	794,996	(749,405)
FRS	555,780	(289,521)
LASERS	83,230	(8,178)
Total	<u>\$ 3,022,936</u>	<u>\$ (1,203,205)</u>

(Continued)

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

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

The City reported a total of \$1,105,346 as deferred outflows of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2019. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
MERS	\$ 473,421
MPERS	359,244
FRS	232,273
LASERS	40,408
Total	<u>\$ 1,105,346</u>

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

Year	MERS	MPERS	FRS	LASERS	Total
2019	\$ 285,594	\$ (147,719)	\$ 33,924	\$ 24,271	\$ 196,070
2020	408,740	547	70,035	13,202	492,525
2021	219,671	(94,397)	(9,973)	5,174	120,475
2022	45,403	(72,084)	(65,271)	(8,004)	(99,956)
2023	-	-	6,350	-	6,350
2024	-	-	(1,079)	-	(1,079)
Total	<u>\$ 959,408</u>	<u>\$ (313,653)</u>	<u>\$ 33,986</u>	<u>\$ 34,643</u>	<u>\$ 714,385</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
MERS	June 30, 2017	3 years	7.40% net of investment expenses
MPERS	June 30, 2017	4 years	7.325% net of investment expenses
FRS	June 30, 2017	7 years	7.40% net of fees
LASERS	June 30, 2017	3 years	7.70% net of investment expenses

Mortality:

MERS - Mortality rates based on the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.

MPERS - Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. The RP-2000 Employee Mortality Table was selected for active members. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Mortality Table was selected for healthy annuitants and beneficiaries (set back 1 year for females). The RP- 2000 Disabled Lives Mortality Table was selected for disabled annuitants (set back 5 and 3 years for males and females, respectively).

FRS - Mortality assumptions were set after reviewing an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of this procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

LASERS - Non-disabled members - Mortality rates are based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. **Disabled members** - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

Salary Increases:

MERS - 5.00% (2.875% Inflation, 2.125% Merit).

MPERS -

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1 - 2	9.75%
3 - 23	4.75%
Over 23	4.25%

FRS - Vary from 15.0% in the first two years of service to 4.75% after 25 years.

LASERS - Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.8%	12.8%
Judges	2.8%	5.3%
Corrections	3.4%	14.3%
Hazardous Duty	3.4%	14.3%
Wildlife	3.4%	14.3%

Cost of Living Adjustments:

MERS - 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.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

MPERS – The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

FRS - Only those previously granted.

LASERS - The present value of future benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

Rate of Return:

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

MERS - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.6% and an adjustment for the effect of rebalancing /diversification. The resulting expected long-term rates of return is 7.2% for the year ended June 30, 2017.

MPERS - The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.19% for the year ended June 30, 2017.

FRS - The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75%. The long term geometric expected rate of return was 8.29% as of June 30, 2017.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

LASERS - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69% as of June 30, 2017.

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

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	FRS	MERS	MPERS	FRS
Public equity	50.0%	0.0%	0.0%	2.30%	0.00%	0.00%
Equity	0.0%	53.0%	57.0%	0.00%	3.66%	6.15%
Public fixed income	35.0%	0.0%	0.0%	1.60%	0.00%	0.00%
Fixed income	0.0%	21.0%	23.0%	0.00%	0.52%	2.04%
Alternatives	15.0%	20.0%	10.0%	0.70%	1.10%	4.62%
Other	0.0%	6.0%	10.0%	0.00%	0.16%	4.40%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	4.60%	5.44%	5.04%
Inflation				<u>2.60%</u>	<u>2.75%</u>	<u>3.25%</u>
Expected Arithmetic Nominal Return				<u>7.20%</u>	<u>8.19%</u>	<u>8.29%</u>

For **LASERS**, the target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	-0.24%
Domestic equity	18%	4.31%
International equity	22%	5.35%
Domestic Fixed Income	7%	1.73%
International Fixed Income	10%	2.49%
Alternative Investments	31%	7.41%
Global Asset Allocation	12%	2.84%
Total	100%	5.26%

Discount Rate:

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS, MPERS, FRS, and LASERS was 7.40%, 7.325%, 7.40%, and 7.70%, respectively for the year ended June 30, 2017.

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

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 - PENSION PLAN (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
MERS			
Discount Rates	6.40%	7.40%	8.40%
Share of Net Pension Liability	6,398,089	5,020,738	3,845,895
MPERS			
Discount Rates	6.33%	7.325%	8.33%
Share of Net Pension Liability	4,244,542	3,072,201	2,088,691
FRS			
Discount Rates	6.40%	7.40%	8.40%
Share of Net Pension Liability	3,012,118	2,096,172	1,326,187
LASERS			
Discount Rates	6.70%	7.70%	8.70%
Share of Net Pension Liability	499,083	397,553	311,229

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN

In accordance with state statutes, the City of Baker provides certain post-employment health care and life insurance benefits to its retired employees. Substantially all City of Baker employees may become eligible for such benefits upon reaching normal retirement age while working for the City of Baker. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the City of Baker. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan Description: The City of Baker's medical and dental benefits are provided through an insured medical plan and are made available to employees upon actual retirement. The City pays a dollar amount of the contribution of the medical and dental coverage for the retiree and dependents. For medical this varies from \$316.64 to \$479.93 for individual coverage and depends on the plan elected. The retiree pays the remaining balance. Employees are covered by a retirement system whose retirement eligibility provisions are as follows: age 60 and 10 years of service or, if earlier, twenty-five (25) years of service at any age.

Funding Policy: Until 2011, the City of Baker recognized the cost of providing post-employment medical benefits (the City of Baker's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis.

Effective July 1, 2017, the city of Baker implemented Government Accounting Standards Board Statement No. 75, *Accounting for Post-employment Benefits* (GASB 75), which supersedes accounting standards that currently exist regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of actuarially determined accrued benefits less amounts funded into a trust rather than recognizing the liability based upon the difference between funding recommendations and actual contributions, as was previously required. Additionally, the liability is now measured based on more prescriptive standards. The standard became effective for annual reporting periods beginning after June 15, 2017. The effect of the new standard on beginning net position for the year ended June 30, 2018 is discussed in Note 13 to the financial statements.

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

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

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Basis

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	3.5%
Discount rate	3.88% annually (0.88% real rate of return plus 3.00% inflation)
Healthcare cost trend rates	Level 4.50% for medical and level 2.50% for dental/vision

Actuarial Cost Method: The ARC is determined using the Individual Entry Age Normal Cost Method. Each employee's service costs are calculated as a level percentage of that employee's projected pay.

Service Cost: The service cost is determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.

Actuarial value of plan assets: Since the OPEB obligation is not being funded, the actuarial value of assets is zero.

Turnover Rate: Termination rates from the Louisiana Municipal Employees Retirement System (MERS) actuarial valuation report were used for non-public safety employees' termination rates from the Louisiana Municipal Police Employees Retirement System (MPERS) actuarial valuation report were used for police employees and from the Louisiana Fireman Retirement System (FRS) actuarial valuation report for fire employees.

Discount rate: The discount rate was selected by reviewing the recent published Bond Buyers' 20 Year General Obligation municipal bond index, which is one of the indices acceptable under GASB 75. This index is published weekly and is trending toward 4.00% in recent months. A discount rate of 3.88% was selected for this valuation.

Mortality Rate: the RPH-2014 Total Table with Projection MP-2017 table was used.

Post-retirement Benefit Coverage: It has been assumed 100% of all retirees who currently have healthcare coverage will continue with the same coverage. Additionally, it is assumed that 100% of all active employees will continue with individual coverage upon retirement. For those with family coverage, it is assumed 30% will elect to continue with the spouse coverage and the remainder will elect individual coverage.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	44
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>66</u>
Total	<u>110</u>

Total OPEB Liability

The School Board's total OPEB liability of \$5,971,260 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

	<u>Amount</u>
Balance at June 30, 2017	<u>\$ 5,937,642</u>
Changes for the year:	
Service cost	138,197
Interest	229,266
Differences between expected and actual experience	-
Changes in assumption	-
Benefit payments and net transfers	<u>(333,845)</u>
Net change	<u>33,618</u>
Balance at June 30, 2018	<u>\$ 5,971,260</u>
Covered-employee payroll	<u>2,856,794</u>
Net OPEB liability as a percentage of covered-employee payroll	209.02%

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

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate:

	1.0% Decrease (2.88%)	Current Discount Rate (3.88%)	1.0% Increase (4.88%)
Total OPEB liability	\$ 6,886,447	\$ 5,971,260	\$ 5,239,139

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare trend rates:

	1.0% Decrease (3.5%)	Current Trend (4.5%)	1.0% Increase (5.5%)
Total OPEB liability	\$ 5,181,756	\$ 5,971,260	\$ 6,980,726

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

The total OPEB expense included in the financial statements, including service cost, interest cost, and the amortized amount of deferred inflows and outflows was \$367,463 for the year ended June 30, 2018. The City does not have any deferred outflows or inflows of resources related to OPEB as of June 30, 2018.

NOTE 9 - LONG-TERM DEBT

The following is a summary of the long-term obligation transactions for the year ended June 30, 2018:

GOVERNMENTAL ACTIVITIES					
Type of Debt	Balance at			Amount	
	June 30, 2017	Additions	Deductions	June 30, 2018	Due Within One Year
Compensated absences	\$ 659,362	\$ 79,448	\$ -	\$ 738,810	\$ 100,000
Claims & Judgments	75,000	-	-	75,000	-
Net Postemployment Benefit Obligation, restated	4,848,165	27,450	-	4,875,615	-
Net pension liabilities	10,401,026		1,502,874	8,898,152	-
	<u>\$ 15,983,553</u>	<u>\$ 106,898</u>	<u>\$ 1,502,874</u>	<u>\$ 14,587,577</u>	<u>\$ 100,000</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 9 - LONG-TERM DEBT (CONTINUED)

BUSINESS-TYPE ACTIVITIES					
Type of Debt	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018	Amount Due Within One Year
Compensated absences	\$ 203,653	\$ 22,468	\$ -	\$ 226,121	\$ 10,000
\$2,000,000 Water Revenue Bonds					
Series 2010A	782,000	-	48,000	734,000	49,000
\$2,200,000 Water Revenue Bonds					
Series 2010B	833,000	-	51,000	782,000	52,000
Net Postemployment Benefit Obligation, restated	1,089,477	6,168	-	1,095,645	-
Net pension liabilities	1,708,052		19,540	1,688,512	-
	<u>\$ 4,616,182</u>	<u>\$ 28,636</u>	<u>\$ 118,540</u>	<u>\$ 4,526,278</u>	<u>\$ 111,000</u>

The individual bond issues and loan agreement are as follows:

Bond Issue/Loan Agreement	Original Issue Amount	Interest Rate	Principal Outstanding June 30, 2018	Interest to Maturity	Maturity Date
Water Revenue Bond, Series 2010A	\$ 2,000,000	2.9500%	\$ 734,000	\$ 158,710	2031
Water Revenue Bond, Series 2010B	2,200,000	2.950%	782,000	169,242	2031

The payments due under the terms of the notes payable as of June 30th are scheduled to occur as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2019	\$ 101,000	\$ 44,722	\$ 145,722
2020	103,000	41,743	144,743
2021	105,000	38,704	143,704
2022	108,000	35,607	143,607
2023	111,000	32,421	143,421
2024-2031	988,000	134,756	1,122,756
	<u>\$ 1,516,000</u>	<u>\$ 327,953</u>	<u>\$ 1,843,953</u>

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 10 - RISK MANAGEMENT

Litigation and General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses through the purchase of insurance through a public entity risk pool of Louisiana local governments. Losses in excess of this coverage or those not covered are not expected to materially impact the City.

Claims have also been made against the City that expose the City to losses which are not covered by insurance. Such claims could be material to the financial position of the City if an unfavorable outcome were to occur. However, no estimate can be made of such losses as of the date these financial statements are issued.

NOTE 11 - CONTINGENCIES

The City is the recipient of both federal and state grants and awards. These grants and awards are governed by various requirements, guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the control of the City and is subject to audit and review by the applicable funding sources. Any grant or award found not to be properly spent in accordance with the requirements, guidelines, regulations, and contractual agreements of the funding sources may be subject to recapture.

NOTE 12 - DEFICIT FUND BALANCES

The Cemetery Fund had a deficit net position of \$416,853 as of June 30, 2018. To absolve the deficit net position reference above, management plans to transfer funds from the general fund to the appropriate funds. In addition, management will establish procedures requiring periodic monitoring of its annual budgets, to ensure that deficit spending will not occur in the future.

CITY OF BAKER, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

The July 1, 2017, beginning balances of the net position were restated as follows:

Government-Wide Financial Statements

	Governmental Activities	Business- Type Activities	Total
Total net position, June 30, 2017, as previously reported	\$ 10,487,266	\$ 10,929,486	\$ 21,416,752
Fund-basis adjustments referenced below	194,381	-	194,381
GASB Statement No. 75 Implementation	(3,359,949)	(755,045)	(4,114,994)
Total net position, June 30, 2017, restated	<u>\$ 7,321,698</u>	<u>\$ 10,174,441</u>	<u>\$ 17,496,139</u>

Governmental Funds

The general fund recorded a prior period adjustment to correct an overstatement of expenditures in the prior year of \$194,381.

Enterprise Funds

	Utility	Cemetery	City Parish Sewer Revenue	Total
Total net position, June 30, 2017, as previously reported	\$ 10,934,305	\$ (196,047)	\$ 191,228	\$ 10,929,486
GASB Statement No. 75 implementation	(641,788)	(75,504)	(37,753)	(755,045)
Total net position, June 30, 2017, restated	<u>\$ 10,292,517</u>	<u>\$ (271,551)</u>	<u>\$ 153,475</u>	<u>\$ 10,174,441</u>

NOTE 14 - SUBSEQUENT EVENTS

In preparing the financial statements, management of the City has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which was the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAKER, LOUISIANA
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales	\$ 3,291,220	\$ 3,193,000	\$ 3,496,508	\$ 303,508
Franchise	660,000	677,000	662,033	(14,967)
Property	450,000	395,000	431,051	36,051
Hotel/Motel	171,000	181,000	179,147	(1,853)
Other	165,500	154,100	147,140	(6,960)
Charges for services	1,772,570	1,604,675	1,795,575	190,900
License and permits	451,230	386,030	483,529	97,499
Criminal fees and fines	178,400	103,400	109,817	6,417
Intergovernmental	824,500	528,000	252,928	(275,072)
Other revenue	77,870	220,350	135,518	(84,832)
Total revenues	<u>8,042,290</u>	<u>7,442,555</u>	<u>7,693,246</u>	<u>250,691</u>
EXPENDITURES				
Current function:				
General government	1,650,120	1,292,510	1,612,299	(319,789)
Public safety	5,714,000	4,394,770	3,900,838	493,932
Public works	2,862,950	2,574,920	2,685,402	(110,482)
Recreation	112,030	80,200	195,436	(115,236)
Capital outlay	-	1,500,000	1,246,324	253,676
Total expenditures	<u>10,339,100</u>	<u>9,842,400</u>	<u>9,640,299</u>	<u>202,101</u>
Deficiency of revenues over expenditures	<u>(2,296,810)</u>	<u>(2,399,845)</u>	<u>(1,947,053)</u>	<u>452,792</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	1,333,434	1,333,434
Net change in fund balance	<u>\$ (2,296,810)</u>	<u>\$ (2,399,845)</u>	<u>(613,619)</u>	<u>\$ 1,786,226</u>
FUND BALANCE				
Beginning of year			<u>3,067,056</u>	
End of year			<u>\$ 2,453,437</u>	

See accompanying independent auditors' report and note to budgetary comparison schedule.

CITY OF BAKER, LOUISIANA
Half Cent Special Sales Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales	\$ 790,000	\$ 575,000	\$ 873,791	\$ 298,791
EXPENDITURES				
Current function:				
Public safety	<u>790,000</u>	<u>790,000</u>	<u>654,179</u>	<u>135,821</u>
Excess (deficiency) of revenues over expenditures	-	(215,000)	219,612	434,612
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(490,297)</u>	<u>(490,297)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (215,000)</u>	<u>(270,685)</u>	<u>\$ (55,685)</u>
FUND BALANCE				
Beginning of year			<u>633,393</u>	
End of year			<u>\$ 362,708</u>	

See accompanying independent auditors' report and note to budgetary comparison schedule.

CITY OF BAKER, LOUISIANA
Street Maintenance/ Construction Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales	<u>\$ 617,000</u>	<u>\$ 617,000</u>	<u>\$ 703,339</u>	<u>\$ 86,339</u>
EXPENDITURES				
Current function:				
Public works	617,000	617,000	531,067	85,933
Capital outlay	<u>-</u>	<u>353,000</u>	<u>357,243</u>	<u>(4,243)</u>
Total expenditures	<u>617,000</u>	<u>970,000</u>	<u>888,310</u>	<u>81,690</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (353,000)</u>	<u>(184,971)</u>	<u>\$ 168,029</u>
FUND BALANCE				
Beginning of year			<u>4,204,368</u>	
End of year			<u>\$ 4,019,397</u>	

See accompanying independent auditors' report and note to budgetary comparison schedule.

CITY OF BAKER, LOUISIANA
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Total OPEB Liability	
Service cost	\$ 138,197
Interest	229,266
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(333,845)
Net change in total OPEB liability	<u>33,618</u>
Total OPEB liability - beginning	<u>5,937,642</u>
Total OPEB liability - ending (a)	<u><u>\$ 5,971,260</u></u>
Covered-employee payroll	<u><u>\$ 2,856,794</u></u>
Net OPEB liability as a percentage of covered-employee payroll	209.02%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended June 30, 2018.

Changes of Assumptions. There were no changes of assumptions for the year ended June 30, 2018.

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

CITY OF BAKER, LOUISIANA
Schedule of Proportionate Share of Pension Liability
Last Ten Fiscal Years ⁽¹⁾⁽²⁾

MERS	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	1.2002%	1.1928%	1.1890%	1.1392%
Employer's Proportion of the Net Pension Liability	\$ 5,020,738	\$ 4,889,113	\$ 4,247,287	\$ 2,923,588
Employer's Covered Employee Payroll	2,179,327	2,130,577	2,007,317	2,068,064
Employers Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.38%	229.47%	211.59%	141.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.49%	63.34%	66.18%	73.99%
MPERS	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.3519%	0.4622%	0.4507%	0.4996%
Employer's Proportion of the Net Pension Liability	\$ 3,072,201	\$ 4,331,732	\$ 3,530,395	\$ 312,595
Employer's Covered Employee Payroll	1,127,457	1,307,803	1,221,242	1,060,968
Employers Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.49%	331.22%	289.08%	29.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.08%	66.04%	70.73%	75.10%
FRS	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.3657%	0.3744%	0.3589%	0.3640%
Employer's Proportion of the Net Pension Liability	\$ 2,096,172	\$ 2,449,039	\$ 1,936,899	\$ 1,619,831
Employer's Covered Employee Payroll	860,440	851,681	775,444	702,846
Employers Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	243.62%	287.55%	249.78%	230.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.55%	68.16%	72.45%	76.02%
LASERS	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.0042%	0.0042%	0.0032%	0.0038%
Employer's Proportion of the Net Pension Liability	\$ 397,553	\$ 439,194	\$ 305,659	\$ 343,846
Employer's Covered Employee Payroll	97,325	99,076	86,670	83,875
Employers Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	408.48%	443.29%	352.67%	409.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.50%	57.70%	62.70%	65.00%

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

(2) The amounts presented have a measurement date of June 30th of the previous fiscal year.

See Independent Auditors' Report on Required Supplementary Information and Accompanying Notes to Required Supplementary Information Related to Net Pension Liability.

CITY OF BAKER, LOUISIANA
Schedule of Pension Contributions
Last Ten Fiscal Years ⁽¹⁾

MERS	2018	2017	2016	2015
Contractually required contribution	\$ 473,421	\$ 495,797	\$ 420,789	\$ 376,372
Contributions made	473,421	495,797	420,789	376,372
Contribution (deficiency) excess	-	-	-	-
Employer's covered payroll	1,912,812	2,179,327	2,130,577	2,007,317
Contributions as a percentage of covered payroll	24.75%	22.75%	19.75%	18.75%
MPERS	2018	2017	2016	2015
Contractually required contribution	\$ 359,244	\$ 357,968	\$ 385,802	\$ 378,585
Contributions made	359,244	357,968	385,802	378,585
Contribution (deficiency) excess	-	-	-	-
Employer's covered payroll	1,131,477	1,127,457	1,307,803	1,221,242
Contributions as a percentage of covered payroll	31.75%	31.75%	29.50%	31.00%
FRS	2018	2017	2016	2015
Contractually required contribution	\$ 232,273	\$ 217,261	\$ 232,083	\$ 219,063
Contributions made	232,273	217,261	232,083	219,063
Contribution (deficiency) excess	-	-	-	-
Employer's covered payroll	919,893	860,440	851,681	775,444
Contributions as a percentage of covered payroll	25.25%	25.25%	27.25%	28.25%
LASERS	2018	2017	2016	2015
Contractually required contribution	\$ 40,408	\$ 38,054	\$ 37,748	\$ 35,967
Contributions made	40,408	38,054	37,748	35,967
Contribution (deficiency) excess	-	-	-	-
Employer's covered payroll	103,345	97,325	99,076	86,670
Contributions as a percentage of covered payroll	39.10%	39.10%	38.10%	41.50%

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

See Independent Auditors' Report on Required Supplementary Information and Accompanying Notes to
Required Supplementary Information Related to Net Pension Liability.

CITY OF BAKER, LOUISIANA
Notes to Proportionate Share of Net Pension Liability
and Schedule of Pension Contributions
for the Year Ended June 30, 2018

NOTE 1 - NET PENSION LIABILITY

Changes of Benefit Terms

Municipal Employees' Retirement System

No Changes.

Municipal Police Employees' Retirement System

No Changes.

Louisiana Firefighters' Retirement System

No Changes.

Louisiana State Employees' Retirement System

No Changes.

Changes of Assumptions

Municipal Employees' Retirement System

The investment rate of return and inflation rate decreased from 7.50% to 7.40% and 2.875% to 2.775%, respectively.

Municipal Police Employees' Retirement System

The investment rate of return and inflation rate decreased from 7.50% to 7.325% and 2.875% to 2.70%, respectively.

Louisiana Firefighters' Retirement System

The investment rate of return and inflation rate decreased from 7.50% to 7.40% and 2.875% to 2.775%, respectively.

Louisiana State Employees' Retirement System

The investment rate of return and inflation rate decreased from 7.75% to 7.70% and 3.0% to 2.75%, respectively.

See Independent Auditors' Report on Required Supplementary Information and Accompanying Notes to
Required Supplementary Information Related to Net Pension Liability.

Combining Financial Statements

CITY OF BAKER, LOUISIANA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2018

Page 1 of 4

	Drivers License Building Fund	Grant	Accrued Absence Fund	Bond Sinking Fund	Workforce Development Training Fund	Code Enforcement Officer Reimbursement Fund	Water Revenue Bond Debt Service Reserve Fund	Mobile Fire Training
ASSETS								
Cash and cash equivalents	\$ 942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,939	\$ -
Investments	-	-	-	-	-	-	-	-
Total assets	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,939</u>	<u>\$ -</u>
LIABILITIES								
Accounts payable	\$ 942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Total liabilities	<u>942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE								
Restricted	-	-	-	-	-	-	74,939	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,939</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,939</u>	<u>\$ -</u>

See accompanying independent auditors' report.

CITY OF BAKER, LOUISIANA
Non-Major Governmental Funds
Combining Balance Sheet, Continued
June 30, 2018

Page 2 of 4

	Traffic Division Fund	Water System Depreciation and Contingency Fund	911 Communication Fund	Supplemental Pay Fund	Fire District One Fund	Marshal Account Fund	City Court	Total Other Non-major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 686,849	\$ 99,975	\$ 255,873	\$ -	\$ 35,968	\$ 254,160	\$ 1,426,916	\$ 2,835,622
Investments	-	-	-	-	-	-	117,871	117,871
Total assets	<u>\$ 686,849</u>	<u>\$ 99,975</u>	<u>\$ 255,873</u>	<u>\$ -</u>	<u>\$ 35,968</u>	<u>\$ 254,160</u>	<u>\$ 1,544,787</u>	<u>\$ 2,953,493</u>
LIABILITIES								
Accounts payable	\$ 4,501	\$ -	\$ 2,308	\$ -	\$ -	\$ 76,415	\$ 2,435	\$ 86,601
Accrued liabilities	<u>128</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,097</u>	<u>218,287</u>
Total liabilities	<u>4,629</u>	<u>-</u>	<u>2,370</u>	<u>-</u>	<u>-</u>	<u>76,415</u>	<u>220,532</u>	<u>304,888</u>
FUND BALANCE								
Restricted	-	99,975	-	-	-	24,005	1,324,255	1,523,174
Committed	682,220	-	-	-	-	-	-	682,220
Assigned	<u>-</u>	<u>-</u>	<u>253,503</u>	<u>-</u>	<u>35,968</u>	<u>153,740</u>	<u>-</u>	<u>443,211</u>
Total fund balance	<u>682,220</u>	<u>99,975</u>	<u>253,503</u>	<u>-</u>	<u>35,968</u>	<u>177,745</u>	<u>1,324,255</u>	<u>2,648,605</u>
Total liabilities and fund balance	<u>\$ 686,849</u>	<u>\$ 99,975</u>	<u>\$ 255,873</u>	<u>\$ -</u>	<u>\$ 35,968</u>	<u>\$ 254,160</u>	<u>\$ 1,544,787</u>	<u>\$ 2,953,493</u>

See accompanying independent auditors' report.

CITY OF BAKER, LOUISIANA
Non-Major Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

Page 3 of 4

	Drivers License Building Fund	Grant Fund	Accrued Absence Fund	Bond Sinking Fund	Workforce Development Training Center Fund	Code Enforcement Officer Reimbursement Fund	Water Revenue Bond Debt Service Reserve Fund	Mobile Fire Training Fund
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-
Criminal fees and fines	-	-	-	-	-	-	-	-
Investment income	-	19	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	19	-	-	-	-	-	-
EXPENDITURES								
Current function:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	2,250	-	-
Public works	9,352	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	9,352	-	-	-	-	2,250	-	-
(Deficiency) Excess of revenues over expenditures	(9,352)	19	-	-	-	(2,250)	-	-
OTHER FINANCING USES								
Transfers in	-	148,121	640,321	-	-	-	-	-
Transfers out	(317,359)	-	-	(139,573)	(18,931)	(29,258)	-	(1,186)
Transfers in (out)	(317,359)	148,121	640,321	(139,573)	(18,931)	(29,258)	-	(1,186)
Net change in fund balance	(326,711)	148,140	640,321	(139,573)	(18,931)	(31,508)	-	(1,186)
FUND BALANCE								
Beginning of year	326,711	(148,140)	(640,321)	139,573	18,931	31,508	74,939	1,186
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,939	\$ -

See accompanying independent auditors' report.

CITY OF BAKER, LOUISIANA
Non-Major Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance, Continued
For the Year Ended June 30, 2018

Page 4 of 4

	Traffic Division Fund	Water System Depreciation and Contingency Fund	911 Communication Fund	Supplemental Pay Fund	Fire District One Fund	Marshal Account Fund	City Court	Total Other Non-Major Governmental Funds
REVENUES								
Charges for services	\$ -	\$ -	\$ 198,933	\$ -	\$ -	\$ -	\$ -	\$ 198,933
License and permits	-	-	-	-	-	138,093	-	138,093
Criminal fees and fines	464,898	-	-	-	-	-	172,506	637,404
Investment income	-	-	-	-	-	-	1,153	1,172
Other revenue	-	-	-	-	-	2,624	16,019	18,643
Total revenues	464,898	-	198,933	-	-	140,717	189,678	994,245
EXPENDITURES								
Current function:								
General government	-	-	-	-	-	-	-	-
Public safety	556,162	-	221,444	-	-	167,371	201,365	1,148,592
Public works	-	-	-	-	-	-	-	9,352
Capital outlay	63,444	-	-	-	-	-	-	63,444
Total expenditures	619,606	-	221,444	-	-	167,371	201,365	1,221,388
(Deficiency) Excess of revenues over expenditures	(154,708)	-	(22,511)	-	-	(26,654)	(11,687)	(227,143)
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	-	-	788,442
Transfers in	(1,092,640)	-	-	(32,632)	-	-	-	(1,631,579)
Transfers in (out)	(1,092,640)	-	-	(32,632)	-	-	-	(843,137)
Net change in fund balance	(1,247,348)	-	(22,511)	(32,632)	-	(26,654)	(11,687)	(1,070,280)
FUND BALANCE								
Beginning of year	1,929,568	99,975	276,014	32,632	35,968	204,399	1,335,942	3,718,885
End of year	\$ 682,220	\$ 99,975	\$ 253,503	\$ -	\$ 35,968	\$ 177,745	\$ 1,324,255	\$ 2,648,605

See accompanying independent auditors' report.

CITY OF BAKER, LOUISIANA
Schedule of Compensation Paid to the Council Members
for the Year Ended June 30, 2018

	<u>Amount</u>
Council Members:	
District 1 - Charles Vincent	\$ 12,600
District 2 - Norman E. Heine	12,600
District 3 - Glenda Bryant	12,600
District 4 - Doris Alexander	12,600
District 5 - Brenda Jackson	<u>12,600</u>
Total	<u>\$ 63,000</u>

See accompanying independent auditor's report.

CITY OF BAKER, LOUISIANA
Schedule of Compensation, Benefits and Other Payments to the Mayor
for the Year Ended June 30, 2018

Agency Head Name: Darnell Waites, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 77,900
Benefits - retirement	19,280
Memberships	150
Registration fees	<u>365</u>
Total	<u>\$ 97,695</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITORS' REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

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

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business activities, and the major funds and the remaining fund information of the City of Baker (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2018.

Internal Control Over Financial Reporting

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

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

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

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

Internal Control Over Financial Reporting, Continued

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

We consider the deficiency described in the accompanying schedule of findings as item #2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item #2018-001.

The City's Response to Findings

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

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

To the Honorable Darnell Waites, Mayor
and the Members of the City Council
City of Baker, Louisiana

Purpose of this Report

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

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 22, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF BAKER, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal Control Over Financial Reporting:

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Internal Control Over Federal Programs:

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

Other Conditions:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ no

Was a management letter issued ☒ yes ☐ no

CITY OF BAKER, LOUISIANA
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-001 – Bank Reconciliation

Finding Classification

Significant deficiency

Finding Type

Reconciliation of Accounting Records/Bank Accounts

Finding Title

Bank Reconciliation

Resolution (resolved, not resolved, partially resolved)

Partially Resolved

Number of years finding reported

Two (2) – 2017 and 2018

Financial impact

Greater than \$150,000

Resolution is with or without course

The resolution of this finding is without cause

Criteria

All cash transactions should be properly administered, reconciled, and supporting documentation maintained in accordance with the City's policies and procedures.

Condition

During our testwork on cash accounts for the year ended June 30, 2018, we noted the following situations which were also identified in prior year:

- No evidence documented to show that all bank reconciliations were prepared timely; and
- Consolidated cash account reconciliation has outstanding stale checks greater than three (3) years.

CITY OF BAKER, LOUISIANA
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-001 – Bank Reconciliation, Continued

Cause

Challenges resulting from prior year issues yet to be properly resolved.

Effect

Various adjustments and researches on old reconciling items were needed

Recommendation

We recommend the City continue to strengthen the implementation of policies and procedures as related to cash to ensure that the City's cash and cash equivalents are complete, accurate, and properly reflected in the City's financial statements.

Management Corrective Action Plan

The City contracted with an outside accounting firm to reconcile the consolidated cash account. It was review by a partner with the firm as well as by the City's Finance Director. Going forward, we will ensure that the reconciliation include both a date of completion and evidence of management review to confirm that this procedure is followed.

One of the challenges the City faced in the prior year was the volume and age of reconciling items discovered when the reconciliation were brought up to date. While the majority of these were researched and resolved accordingly, there are still items left to be reviewed. Primarily, these involve payroll items in which every effort is being made to resolve before forwarding to Unclaimed Property. The City plans, however, to have the balance of the stale-dated items cleared no later than June 30, 2019.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

STATUS OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-001 - Untimely Submission of Financial Audit Report by Due Date

Condition

The City did not meet the December 31, 2017, statutory deadline for reporting the required annual audit to the State of Louisiana. The City requested and received an extension of time from the LLA to file its financial statements till January 15, 2018. However, the deadline was not met.

Recommendation

The City should continue the implementation of a plan to ensure adequate staffing levels to support timely financial reporting and ensure future audits are completed by statutory due dates.

Management Corrective Action Implemented

The annual audit for FY 2018 is anticipated to be submitted by December 31, 2018.

Disposition:

Resolved in current year

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-002 – Bank Reconciliation

Condition

During our test work on cash accounts for the year ended June 30, 2017, we noted the following situations:

- All bank reconciliations were prepared after year end;
- All bank reconciliations were not reviewed by a member of management or a board member (with no involvement in the transaction associated with the bank accounts);
- Consolidated cash account reconciliation has outstanding stale checks greater than two (2) years; and
- No separate reconciliations for major funds.

We also noted the hiring of contract accounting firm to help resolve these conditions close to year-end.

Recommendation

We recommend the City continues to strengthen the implementation of policies and procedures as relate to cash to ensure that the City's cash and cash equivalents are complete, and accurate, and properly reflected in the City's financial statements. All bank reconciliations are performed accurately on a timely basis.

Management Corrective Action Implemented

Reconciliations were completed by the contract accounting firm each month for consolidated cash and the Finance Director for other accounts. Evidence of review was evidenced on the face of the reconciliation. Reconciliations for accounts maintained by the City Court and Police Chief were reconciled monthly by the Clerk of Court and the contract accounting firm.

Additionally, all outstanding items were researched and resolved appropriately.

Disposition:

Partially resolved in current year

See Findings #2018-001

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-003 - Proper Financial Reporting to Board

Condition

During our audit and the review of the City's board minutes for the year ended June 30, 2017, we noted that none of the board minutes reviewed made any reference to or included monthly budget-to-actual comparisons of the City's funds. We also noted that no budget-to-actual reports budgeted for deficit spending during the fiscal period and there was no indication of a formal plan to eliminate the deficit.

Recommendation

Management should strictly comply with all provisions of the LGBA. In addition, we recommend that senior management develop and practice a formal process of comparing the budget to actual revenue and other sources and expenditures and other uses for all budgets and amend as appropriate in accordance with the LGBA. Periodic monitoring of the City's annual budgets should be implemented to ensure there are no deficit spending.

Management Corrective Action Implemented

Budget-to-actual reports were provided to the City Council on a consistent basis not less than quarterly. The reports were placed in the Council's mailboxes at City Hall and not always referenced in the Council's minutes. If there was a need to discuss any issues, this was done in the Administrative Matters section of the meetings.

The Cemetery, a proprietary type fund, is the only fund with a deficit net position. Management budgets transfers from the General Fund if the need arises to meet operating expenses as agreed upon when the City took over the operations of the Hillcrest Memorial Gardens. Funds for pre-need items are trusted for future needs.

Disposition:

Resolved

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-004 - Proper Accounting and Recording of Capital Assets

Condition

During our testwork of the City's fixed assets for the year ended June 30, 2017, we noted the following situations:

- capital assets policies and procedures were not followed as assets were disposed without proper approval from the council;
- The City has not fully integrated their capital asset software from a manual process; and
- The City was not reconciling inventory account to a master inventory listing during the fiscal year.

Recommendation

We recommend the City implement and strengthen internal controls regarding capital assets that will involve utilizing a fixed asset management system. In addition, implementing a process to utilize in reconciling physical inventory to a master listing to ensure complete and accurate reporting during the fiscal year. The City needs to reevaluate the current policies and procedures in place and implement procedures that will eliminate this condition.

Management Corrective Action Implemented

All assets have been inventoried in an asset management program which was reviewed at year-end to confirm that any additions were properly recognized during the year. There were no disposals during the year, but surplus items were identified and submitted to the Council for approval. Disposition of these assets is anticipated in FY 2019.

Disposition:

Resolved

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-005 – Cash Disbursement Transactions

Condition

During our audit of the City's cash disbursements for the year ended June 30, 2017, we noted deficiencies related to function of cash disbursements. Two (2) out of twenty-five (25) purchases tested were not properly initiated using the purchase order system. One (1) of twenty-five (25) purchases tested did not include a receiving report or packing slip as indication that goods were received. We also noted one (1) out of twenty-five (25) purchases tested had invoices with no indication of approval.

Recommendation

We recommend that the City reevaluate the current policies and procedures in place regarding cash disbursements and procurements and ensure adherence.

Management Corrective Action Implemented

The items specifically identified in this finding were related to purchases during the Great Flood of FY 2016. This catastrophic event created (1) circumstances that hindered our ability to print purchase orders; and (2) emergency situations for which verbal authority was provided prior to the ability to print purchase orders or complete requisitions.

During FY 2018, all purchases were evidenced with a timely approved P.O or an explanation as to any exceptions. A tickler system was created to ensure that bills were paid timely, and the review process was changed to include three levels of review before checks are remitted to the respective vendors/contractors.

Disposition:

Resolved

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-006 – Payroll Administration of Time and Attendance

Condition

During our audit of the City's payroll time and attendance and leave administration for the year ended June 30, 2017, we noted six (6) out of twenty-five (25) employees selected for testing whose time and attendance did not have supervisor approval, all of which were police officers. We noted that the City did not provide supporting documentation to show the approval of the past Fire Chief's severance payment. We noted also that July, August, and September 2016 retirement contributions were paid after the required deadlines.

Recommendation

We recommend that the City should intensify all efforts to ensure that policies and procedures are implemented properly as relate to payroll, leave and retirement functions.

Management Corrective Action Implemented

Management considered the incidents noted above to be isolated in nature. However, the following was implemented for FY 2018: (1) implement new timesheets consistent across all departments; (2) review of all employee policies and procedures and subsequent adoption to clarify time and attendance as well as the approval process; (3) implement a periodic review of a select number of timesheets each pay period to ensure that all necessary information is present, approval is evidenced and recordings are reasonable; (4) review approval process for retirement and employee insurance invoices by HR Director prior to payment to ensure accuracy; and (5) requirement of supervisor approval prior to remittance of payroll

Disposition:

Resolved

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-007 – Accounting for Dedicated Funds

Condition:

The City did not clearly account for dedicated funds in accordance with Local and City ordinances.

Recommendation:

The City should implement necessary financial reporting controls to ensure proper accountability for its dedicated funds in accordance with Local and City ordinances.

Management Corrective Action Implemented

A historical review of the ½ cent sales tax for fire and police was conducted to separate this fund into two funds – ½ cent sales tax fire and ½ cent sales tax police which was accomplished by year end.

Disposition:

Resolved

CITY OF BAKER, LOUISIANA
Status of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

Audit Finding Reference Number

2017-008 – Restatement of Prior Year Fund Balances

Condition:

Prior year audit resulted in a disclaimer of opinion on all funds of the City. The City hired external accounting firm to help the Finance department in order to obviate this problem. A tremendous number of hours were spent to resolve this condition. The result was that numerous adjustments were recorded and prior year fund balances were restated.

Recommendation:

The City should continue in its efforts to maintain currently implemented financial reporting procedures after year end and ensure the same condition is not reoccurring in future.

Management Corrective Action Implemented

Accounting practices were implemented in order to maintain materially accurate records for audit.

Disposition:

Resolved

CORRECTIVE ACTION PLAN



City of Baker

"Great American Hometown"

DEPARTMENT OF FINANCE

Bruno & Tervalon LLP, CPAs
909 North President Street
Jackson, Mississippi 39202

Regarding the current year's findings, please accept the following as requested:

2018-001 Bank Reconciliations

Condition: During our test work on cash accounts for the year ended June 30, 2018, we noted the following situations which were also identified in prior year.

- *No evidence documented to show that all bank reconciliations were prepared; and*
- *Consolidated cash account reconciliation has outstanding stale checks greater than three (3) years*

The City contracted with an outside accounting firm to reconcile the consolidated cash account. It was reviewed by a partner with the firm as well as by the City's Finance Director. Going forward, we will ensure that the reconciliations include both a date of completion and evidence of management review to confirm that this procedure is followed.

One of the challenges the City faced in the prior year was the volume and age of reconciling items discovered when the reconciliations were brought up to date. While the majority of these were researched and resolved accordingly, there are still items left to be reviewed. Primarily, these involve payroll items in which every effort is being made to resolve before forwarding to Unclaimed Property. The City plans, however, to have the balance of the stale-dated items cleared no later than June 30, 2019.

Thank you for your recommendations.

Respectfully,

Mary Sue Stages, CPA
Finance Director
December 22, 2018

EXIT CONFERENCE

CITY OF BAKER, LOUISIANA
Audit Status/Exit Conference
For the Year Ended June 30, 2018

The audit report was discussed during the course of the audit and at an exit conference held with the City. The individuals who participated in those discussions were as follows:

CITY OF BAKER, LOUISIANA

Honorable Darnell Waites	Mayor
Honorable Charles Vincent	Council Member – District 1
Honorable Norman E. Heine	Council Member – District 2
Honorable Glenda Bryant	Council Member – District 3/ Mayor Pro Tem
Honorable Doris Alexander	Council Member – District 4
Honorable Brenda Jackson	Council Member – District 5
Attorney Ken Fabre	City Attorney
Ms. Julie McCullough	Administrative Officer
Ms. Mary Sue Stages, CPA	Finance Director/ Interim
Mr. Tommy L. LeJeune, CPA	Partner, Faulk & Winkler LLC
Mr. Scott Lazarone, CPA	Director, Faulk & Winkler LLC
Ms. Lauren Sherman	Senior, Faulk & Winkler LLC

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Joseph A. Akanji, CPA	Engagement Partner
Mr. Tyrone James, CPA	Engagement Manager
Mr. Christopher Hall, CPA	Engagement Staff
Mr. Darius Cosse'	Engagement Staff