

**CITY OF BAKER, LOUISIANA**

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**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

Prepared by:

Fiscal Office with Assistance from  
Contract Accountants

**CITY OF BAKER, LOUISIANA**  
**Annual Financial Report**  
**for the Year Ended June 30, 2017**

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**INTRODUCTION SECTION**  
**(Unaudited)**



# *City of Baker*

"Great American Hometown"

## DEPARTMENT OF FINANCE

### LETTER OF TRANSMITTAL

January 11, 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, Louisiana for the fiscal year ended June 30, 2017, 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 a modified opinion on the City of Baker, LA's financial statements for the year ended June 30, 2017. Their independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' 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, Louisiana (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. Kyes 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 (5) council members elected by the citizens residing within their respective districts to serve a four-year term. Policy-making and legislative authority are 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.

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 15<sup>th</sup> 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 (5) major universities and two (2) 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 5.2percent at June of 2017, slightly below that of the state's rate. 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 has been reviewing 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 FY2017 audit report will support these efforts.

Additionally, the City has made tremendous strides in restoring facilities and equipment that was heavily damaged by last year's flooding. Changes were made at all well sites to allow the continuation of vital services without disruption during future emergency situations. Studies have been conducted and processes initiated to address the flow of water throughout the City in its on-going attention to protect persons and property. The fire station, hardest hit by the Great Flood of 2016, will soon see the removal of the trailer that has been housing its firefighters since the flood.

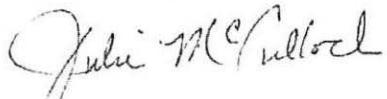
Attention has been given to community development to create activities and events for families. The Buffalo Festival, an event held for the benefit of the schools, was attended by 1,000s this past year. Young and old danced, ate and laughed together for three (3) days! City Park was filled with the cutest 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.

### ***Acknowledgments***

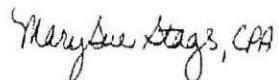
Management wants to thank Tommy LeJeune with Faulk & Winkler, LLC and his staff (Lauren Sherman and Scott Lazarone) for their assistance with the annual closing and preparation of the AFR as well as their efforts and dedication to the resolution of findings

contained in the FY2016 audit. 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".

Respectfully Submitted,



Julie McCulloch  
Manager



Mary Sue Stages, CPA  
Finance Director

**CITY OF BAKER, LOUISIANA**  
**Annual Financial Report**  
**For the Year Ended June 30, 2017**

**List of Elected and Appointed Officials**

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Elected Officials

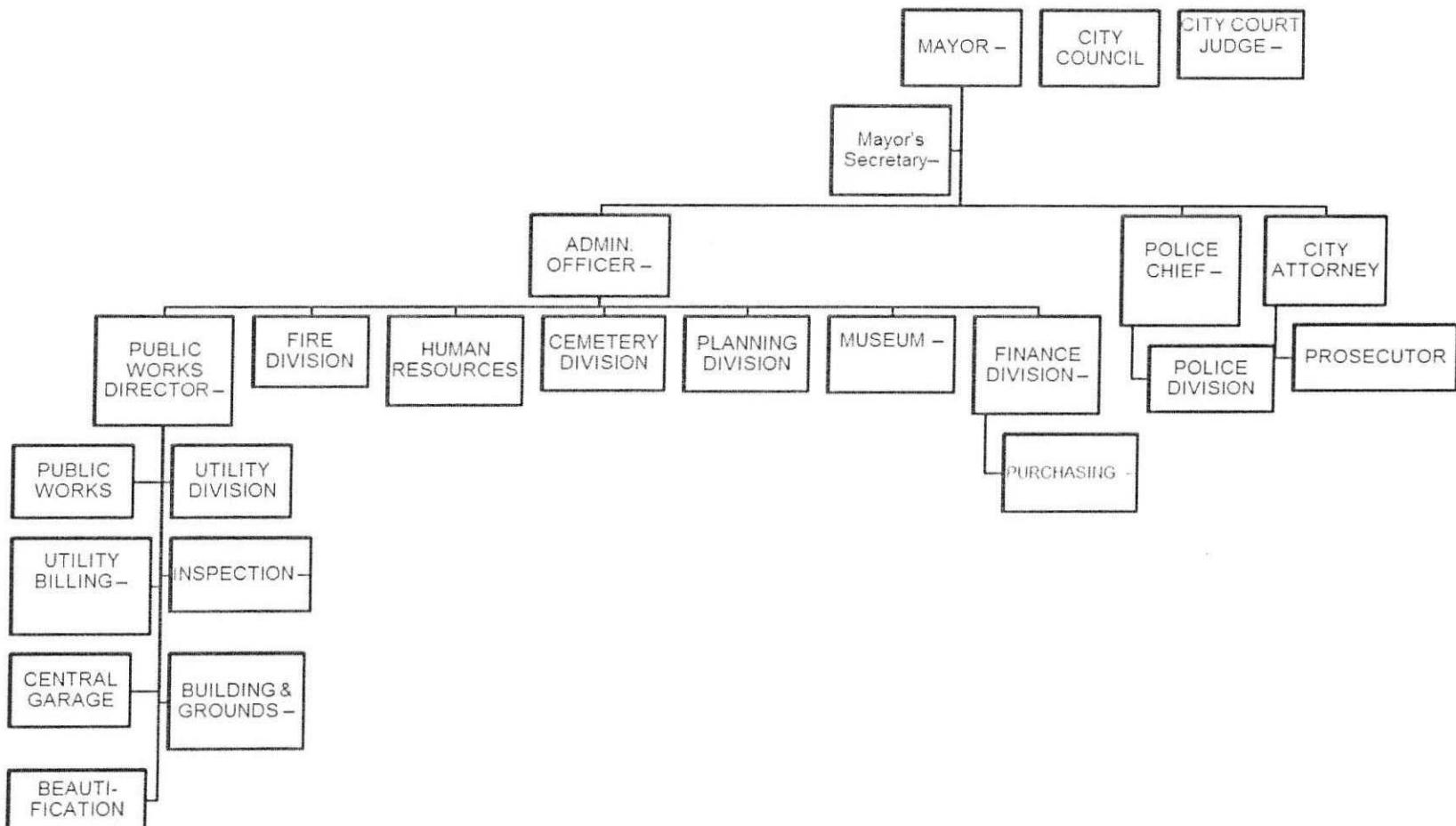
Mayor	Darnell Waites
Council Member – District 1	Charles Vincent
Council Member – District 2	Norman E. Heine
Council Member – District 3	Glenda Bryant
Council Member – District 4	Doris Alexander
Council Member – District 5	Brenda Jackson
Judge	Kirk Williams
Chief of Police	Carl Dunn

Appointed Officials

City Attorney	Ken Fabre
Administrative Officer	Julie McCullouch

**CITY OF BAKER, LOUISIANAL**  
**Annual Financial Report**  
**For the Year Ended June 30, 2017**

**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 statements of net position of the governmental activities and business-type activities, and the balance sheet of each major fund and the aggregate remaining fund information of the City of Baker (the City) as of June 30, 2017, and were engaged to audit the related statements of activities of the governmental activities and business-type activities and the statements of revenues, expenditures and changes in fund balances and, where applicable, cash flows for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the respective changes in financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information and, where applicable, cash flows thereof or the consistency of application of accounting principles with the preceding year.

We conducted our audit of the statements of net position of the government activities and business-like activities and the balance sheet of each major fund and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of net position of the government activities and business-like activities and the balance sheet of each major fund and the aggregate remaining fund information are free from material misstatement.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

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

**Auditors' Responsibility, continued**

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 auditors consider 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 on the statements of net position of the governmental activities and business-type activities and the balance sheet of each major fund and the aggregate remaining fund information.

**Basis for Disclaimer of Opinion on the Changes in Financial Position, Cash Flows, and Consistency**

The predecessor auditor issued a disclaimer of opinion on the financial statements of the City as of June 30, 2016, and for the year then ended. As such, we have not applied audit procedures necessary to obtain sufficient appropriate audit evidence about the classifications and amounts comprising the statements of net position of the governmental activities and business-type activities and the balance sheet of each major fund and the aggregate remaining fund information at June 30, 2016.

**Disclaimer of Opinion on the Changes in Financial Position, Cash Flows, and Consistency**

Because of the significance of the matter described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the changes in financial position for the governmental activities and business-type activities, and for each major fund the aggregate fund information, where applicable, cash flows, for the year ended June 30, 2017, or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the respective changes in financial position and, where applicable, cash flows, for the year ended June 30, 2017, or on the consistency of application of accounting principles with the preceding year.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

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

**Opinions on the Statement of Net Position and on the Balance Sheet**

In our opinion, statement of net position and balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of the City as of June 30, 2017, 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 81 through 84 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 the Mayor and the schedule of compensation paid to Council 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 payments to the Mayor and the schedule of compensation paid to Council 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, the schedule of compensation, benefits and other payments to the Mayor and the schedule of compensation paid to Council 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 January 11, 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*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

January 11, 2018

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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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, 2017. Please read it in conjunction with the City's Financial statements which begin on page 22. 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 2017 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$21.4 million (net position). Of this amount, unrestricted net position is currently in a deficit of \$251,000, primarily related to the net pension liability of \$12.1 million, which was recorded in 2016 with implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- The primary government's total net position increased by \$422,000 during 2017.
- Governmental activities' net position increased by \$214,000.
- Business-type activities' net position increased by \$208,000.
- As of the end of the year, the primary governmental funds reported combined fund balances of \$11.4 million, an increase of \$930,000 in comparison to the prior year.

Significant aspects of the City's financial well-being, as of and for the year ended June 30, 2017, are detailed throughout this analysis.

**USING THIS ANNUAL REPORT**

With the implementation of Governmental Accounting Standards Board Statement No. 34, a government's presentation of financial statements has greatly changed. The new statements focus on 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 22 and 24, respectively) 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 25. 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, 2017**

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Our auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the statement of net position and the balance sheet 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 22. 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, 2017**

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**City of Baker, Louisiana**

**Statement of Net Position**

**June 30, 2017 and 2016**

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,211	\$ 10,977	\$ 9,989	\$ 8,271	\$ 22,200	\$ 19,248
Capital assets	<u>8,847</u>	<u>9,314</u>	<u>7,589</u>	<u>7,823</u>	<u>16,436</u>	<u>17,137</u>
Total assets	<u>21,058</u>	<u>20,291</u>	<u>17,578</u>	<u>16,094</u>	<u>38,636</u>	<u>36,385</u>
Deferred outflows of resources	<u>3,555</u>	<u>2,386</u>	<u>645</u>	<u>259</u>	<u>4,200</u>	<u>2,645</u>
Current and other liabilities	882	577	3,500	2,321	4,382	2,898
Long-term liabilities	<u>12,523</u>	<u>10,560</u>	<u>3,735</u>	<u>3,290</u>	<u>16,258</u>	<u>13,850</u>
Total liabilities	<u>13,405</u>	<u>11,137</u>	<u>7,235</u>	<u>5,611</u>	<u>20,640</u>	<u>16,748</u>
Deferred inflows of resources	721	1,266	58	21	779	1,287
Net position:						
Net investment in capital assets	8,847	9,314	5,974	7,823	14,821	17,137
Restricted	6,563	7,499	284	925	6,847	8,424
Unrestricted	(4,923)	(6,539)	(4,672)	(1,973)	(251)	(4,566)
Total net position	<u>\$ 10,487</u>	<u>\$ 10,274</u>	<u>\$ 10,930</u>	<u>\$ 10,721</u>	<u>\$ 21,417</u>	<u>\$ 20,995</u>

At June 30, 2017, the City's net position was \$21.4 million, unrestricted net position is in a deficit of \$250,000 million, primarily related to a net pension liability and the related deferred inflows of resources of \$12.9 million. 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 \$214,000 during FY 2017, ending the year with unrestricted net position in a deficit of \$4.9 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 \$208,000 million during 2017.

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2017**

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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, 2017 and 2016**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,724	\$ 2,853	\$ 3,881	\$ 4,318	\$ 6,605	\$ 7,171
Operating grants	746	-	50	-	796	-
General revenues:						
Ad valorem taxes	369	385	-	-	369	385
Sales taxes	5,598	4,807	-	-	5,598	4,807
Franchise taxes	664	544	-	-	664	544
Other taxes	333	262	-	-	333	262
Other general revenues	<u>2,260</u>	<u>1,706</u>	<u>12</u>	<u>49</u>	<u>2,272</u>	<u>1,755</u>
Total revenues	<u>12,694</u>	<u>10,557</u>	<u>3,943</u>	<u>4,367</u>	<u>16,637</u>	<u>14,924</u>
Functions/Program Expenses:						
General government	2,111	3,173	-	-	2,111	3,173
Public safety	6,206	5,931	-	-	6,206	5,931
Public works	3,967	2,105	-	-	3,967	2,105
Highways and streets	132	-	-	-	132	-
Culture and recreation	64	-	-	-	64	-
Utilities	-	-	3,435	3,143	3,435	3,143
Cemetery	-	-	261	255	261	255
Sewer treatment	<u>-</u>	<u>-</u>	<u>39</u>	<u>28</u>	<u>39</u>	<u>28</u>
Total expenses	<u>12,480</u>	<u>11,209</u>	<u>3,735</u>	<u>3,426</u>	<u>16,215</u>	<u>14,635</u>
Change in Net Position	\$ <u>214</u>	\$ <u>(652)</u>	\$ <u>208</u>	\$ <u>941</u>	\$ <u>422</u>	\$ <u>289</u>

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2017**

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**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 14 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 (2) 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 25 and 27) 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 36.

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2017**

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**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 81 through 87.

**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 2017 by fund type:

	(in thousands)					Total
	General Fund	Half Cent Special Tax Fund	Street Maintenance Construction Fund	Traffic Division Fund	Other Non-Major Funds	
Revenues and other financing sources	\$ 9,356	\$ 1,254	\$ 819	\$ 441	\$ 742	\$ 12,612
Expenditures and other financing uses	9,621	626	132	352	952	11,683
Surplus (deficit)	(265)	628	687	89	(210)	929
Fund Balance, June 30, 2016, as restated	3,138	5	3,517	1,841	1,999	10,500
Fund Balance, June 30, 2017	\$ 2,873	\$ 633	\$ 4,204	\$ 1,930	\$ 1,789	\$ 11,429

The City's governmental funds experienced a surplus of approximately \$930,00 during 2017. At year end, fund balances were approximately \$11.4 million. Approximately \$2.3 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 nonspendable. 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, 2017**

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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 \$2.9 million compared to the fund balance of \$3.1 million at the end of 2016. The decrease in fund balance resulted from expenditures related to the Great Flood of 2016.

The City's other major funds are the Half Cent Special Tax Fund, Street Maintenance/Construction Fund, and the Traffic Division Fund. The Half Cent Special Tax Fund realized an increase in fund balance of approximately \$629,000. The Street Maintenance/Construction Fund experienced an increase in fund balance of approximately \$687,000. The Traffic Division Fund experienced an increase in fund balance of approximately \$89,000.

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

Source of Revenue	(in thousands)			
	2017		2016	
	Revenue	Percent	Revenue	Percent
Taxes	\$ 6,965	63%	\$ 5,998	60%
Intergovernmental	781	7%	283	3%
Licenses and permits	587	5%	421	4%
Charges for services	1,852	17	2,852	25%
Fines	743	7%	396	3%
Miscellaneous	116	1%	607	5%
Total	<u>\$ 11,044</u>	<u>100%</u>	<u>\$10,557</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for FY 2017 totaled \$11 million, compared with \$10.6 million for the previous year, representing nearly a \$487,000 or 4.7% increase. 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, 2017**

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The expenditures of the primary government increased by approximately \$965,000 in FY 2017, primarily related to flood-related expenditures and capital outlay expenditures of approximately \$485,000. General governmental expenditures for each major function are summarized in the following table.

Function	(in thousands)			
	2017		2016	
	Expenditure	Percent	Expenditure	Percent
General government	\$ 1,824	16%	\$ 2,942	31%
Public safety	5,735	49%	5,735	48%
Public works	3,508	30%	1,974	21%
Recreation	64	1%	-	0%
Capital outlay	485	4%	-	0%
Total	<u>\$ 11,616</u>	<u>100%</u>	<u>\$ 10,651</u>	<u>100%</u>

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City's General Fund budget was amended to include a decreases in charges for services, licenses and permits, and criminal fees and fines revenue. The budget was amended to reflect an increase in intergovernmental revenues. Additionally, the budget was amended for increases in total expenditures of approximately \$1.6 million, primarily related to the flood-related expenditures and capital outlay referenced above.

At the conclusion of FY 2017, the actual charges to appropriations (expenditures) were \$270,000 less than the related final budget appropriations of \$9.8 million. The most significant positive variance occurred in the City's public safety, where expenditures were \$314,000 less than appropriations.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At the end of FY 2017, the City had \$16.4 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, 2017**

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	(in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 874	\$ 874	\$ 373	\$ 373	\$ 1,247	\$ 1,247
Buildings	2,978	3,106	75	84	3,052	3,190
Equipment and vehicles	1,064	1,242	127	91	1,191	1,333
Utility systems	-	-	7,013	7,274	7,013	7,274
Infrastructure	<u>3,932</u>	<u>4,092</u>	<u>-</u>	<u>1</u>	<u>3,932</u>	<u>4,093</u>
Total assets net of depreciation	<u>\$ 8,848</u>	<u>\$ 9,314</u>	<u>\$ 7,588</u>	<u>\$ 7,823</u>	<u>\$ 16,436</u>	<u>\$17,137</u>

More detailed information about the City's capital assets as well as information of the City's capital projects is presented in Note 7 to the financial statements. The City had \$555,000 in capital additions during FY 2017.

These capital outlays were primarily related to purchase of equipment and vehicles after the historic flood of FY 2016. Depreciation expense of the City's Capital assets of \$1,179,000 resulted in a net decrease in capital assets of approximately \$700,000.

### Debt

At year-end, the City had \$13.9 millions in bonds and long-term obligations versus \$11.9 millions last year, an increase of \$2 million, as shown below.

	Governmental Activities			
	(in thousands)			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Net post-employment benefits	\$ 1,169,481	\$ 318,735	\$ -	\$ 1,488,216
Compensated absences	558,310	101,052	-	659,362
Net pension liability	8,857,606	1,543,420	-	10,401,026
Claims and judgements	75,000	-	-	75,000
Total	<u>\$ 10,660,397</u>	<u>\$ 1,963,207</u>	<u>\$ -</u>	<u>\$ 12,623,604</u>

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2017**

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	Business-Type Activities			(in thousands)	
	Balance Beginning of Year				
		Additions	Deletions		
Net post-employment benefits	\$ 323,918	\$ 10,513	\$ -	\$ 334,431	
Compensated absences	198,610	5,043	-	203,653	
Net pension liability	1,162,634	545,418	-	1,708,052	
Bonds payable	1,711,000	-	96,000	1,615,000	
Total	<u>\$ 3,396,162</u>	<u>\$ 560,974</u>	<u>\$ 96,000</u>	<u>\$ 3,861,136</u>	

The City remained current on all bonds and notes outstanding and retired \$96,000 in bonds payable during FY 2017.

More detailed information about the City's long-term liabilities is presented in Note 10 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 2018 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 FY 2018, revenues for all governmental funds are budgeted approximately \$10.0 million, with expenditures expected to be \$12.2 million for all governmental funds.

Taxes will continue to be the largest source of revenue for the City accounting for 61 percent of total budgeted governmental revenues in FY 2018. The City budgeted a decrease in revenue of \$110,000 in the General Fund compared to results for the current year. The decrease relates primarily to public assistance grant funding. Additionally, the City is projecting an increase in expenditures of \$800,000 compared to the current year, primarily relating to scheduled capital outlay expenditures in the General Fund of \$1.8 million, including \$1.5 million for renovations and repairs stemming from the Great Flood of FY 2016. If these estimates are realized during FY 2017, the City's General Fund's fund balance will decrease by \$2.3 million, as compared to a decrease of \$265,000 during FY 2017.

**CITY OF BAKER, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2017**

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**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, 2017**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (NOTES 1 and 2)	\$ 7,755,650	\$ 5,034,769	\$ 12,790,419
Investments (NOTES 1 and 2)	4,877,495	732,438	5,609,933
Inventory and prepaids	220,550	310,270	530,820
Receivables, net (NOTE 4)			
Accounts, net	386,787	1,126,251	1,513,038
Taxes	1,069,427	-	1,069,427
Due from other governments	403,262	-	403,262
Restricted assets:			
Cash and cash equivalents	-	19,149	19,149
Investments	-	264,557	264,557
Capital Assets (NOTE 7):			
Land	873,722	373,572	1,247,294
Depreciable capital assets, net	7,973,568	7,215,139	15,188,707
Total assets	<u>23,560,461</u>	<u>15,076,145</u>	<u>38,636,606</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension liability	<u>3,554,891</u>	<u>645,178</u>	<u>4,200,069</u>
Total assets and deferred outflows of resources	<u>27,115,352</u>	<u>15,721,320</u>	<u>42,836,675</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	545,043	300,858	845,901
Accrued expenses and other liabilities	236,892	693,750	930,642
Bonds payable, due within one year (NOTE 11)	-	99,000	99,000
Customer utility deposits	-	1,116,263	1,116,263
Merchandise payable	-	1,206,694	1,206,694
Unearned revenue	-	56,446	56,446
Current portion of compensated absences	100,000	27,340	127,340
Total current liabilities	<u>881,935</u>	<u>3,500,351</u>	<u>4,382,286</u>

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

**CITY OF BAKER, LOUISIANA**  
**Government-Wide**  
**Statement of Net Position, Continued**  
**June 30, 2017**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Non-current liabilities:</b>			
Bond payable less current portions (NOTE 11)	\$ -	\$ 1,516,000	\$ 1,516,000
Compensated absence, less current portion	559,362	176,313	735,675
Other post-employment benefits	1,488,216	334,431	1,822,647
Claims liability reserve	75,000	-	75,000
Net pension liability (NOTE 11)	10,401,026	1,708,052	12,109,078
Total non- current liabilities	<u>12,523,604</u>	<u>3,734,796</u>	<u>16,258,400</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension liability	<u>720,632</u>	<u>58,605</u>	<u>779,237</u>
Total liabilities and deferred inflows of resources	<u>14,126,171</u>	<u>7,293,752</u>	<u>21,419,923</u>
<b>Net Position</b>			
Net investment in capital assets	8,847,290	5,973,711	14,821,001
Restricted	6,562,634	283,706	6,846,340
Unrestricted	<u>(4,922,658)</u>	<u>4,672,069</u>	<u>(250,589)</u>
Total net position	<u>\$ 10,487,266</u>	<u>\$ 10,929,486</u>	<u>\$ 21,416,752</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, 2017**

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Functions/Programs	Program Revenues				Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,111,159	\$ 1,524,996	\$ -	\$ -	\$ (586,163)	\$ -	\$ (586,163)
Public safety	6,206,540	907,501	-	-	(5,299,039)	-	(5,299,039)
Public works	3,967,029	56,170	745,784	-	(3,165,075)	-	(3,165,075)
Highway and streets	131,866	178,546	-	-	46,680	-	46,680
Culture and recreation	64,028	57,118	-	-	(6,910)	-	(6,910)
Total governmental activities	<u>12,480,622</u>	<u>2,724,331</u>	<u>745,784</u>	<u>-</u>	<u>(9,010,507)</u>	<u>-</u>	<u>(9,010,507)</u>
Business-type activities:							
Enterprise - Utilities	3,435,218	3,555,825	50,000	-	-	170,607	170,607
Enterprise - Cemetery	261,266	257,824	-	-	-	(3,442)	(3,442)
Enterprise - City Parish Sewer	39,364	68,475	-	-	-	29,111	29,111
Total business-type activities	<u>3,735,848</u>	<u>3,882,124</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>196,276</u>	<u>196,276</u>
Total primary government	<u>\$ 16,216,470</u>	<u>\$ 6,606,455</u>	<u>\$ 795,784</u>	<u>\$ -</u>	<u>\$ (9,010,507)</u>	<u>\$ 196,276</u>	<u>\$ (8,814,231)</u>
General revenues:							
Taxes:							
Sales taxes					5,597,748	-	5,597,748
Property taxes					369,811	-	369,811
Franchise taxes					663,941	-	663,941
Other taxes					333,508	-	333,508
Licenses and permits					457,660	-	457,660
Interest and Investment earnings					(33,161)	(13,142)	(46,303)
Grants and contributions not restricted to specific programs					260,863	25,251	286,114
Loss on disposal of capital assets					(77,789)	-	(77,789)
Other					1,651,751	-	1,651,751
					<u>9,224,332</u>	<u>12,109</u>	<u>9,236,441</u>
Change in net position					213,825	208,385	422,210
Net position - beginning of year, restated (NOTE 16)					<u>10,273,441</u>	<u>10,721,101</u>	<u>20,994,542</u>
Net position - end of year					<u>\$ 10,487,266</u>	<u>\$ 10,929,486</u>	<u>\$ 21,416,752</u>

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

## **Fund Financial Statements**

**CITY OF BAKER, LOUISIANA**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

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	Special Revenue Funds				Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Half Cent Special Tax	Street Maintenance/ Construction	Traffic Division Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 136,571	\$ 596,107	\$ 3,060,793	\$ 1,934,033	\$ 2,028,146	\$ 7,755,650
Investments	3,402,230	-	1,159,494	-	315,771	4,877,495
Inventory and prepaids	220,550	-	-	-	-	220,550
Receivables:						
Due from other funds	246,050	-	-	-	-	246,050
Accounts, net	384,537	-	-	-	2,250	386,787
Taxes	804,601	152,750	112,076	-	-	1,069,427
Due from other governments	403,262	-	-	-	-	403,262
Total assets	<u>\$5,597,801</u>	<u>\$ 748,857</u>	<u>\$ 4,332,363</u>	<u>\$ 1,934,033</u>	<u>\$ 2,346,167</u>	<u>\$ 14,959,221</u>
<b>LIABILITIES</b>						
Accounts payable	329,412	4,865	127,995	4,132	78,639	545,043
Accrued liabilities	10,194	4,790	-	333	221,575	236,892
Due to other funds	2,385,520	105,809	-	-	256,636	2,747,965
Total liabilities	<u>2,725,126</u>	<u>115,464</u>	<u>127,995</u>	<u>4,465</u>	<u>556,850</u>	<u>3,529,900</u>
<b>FUND BALANCE</b>						
Non-spendable	220,550	-	-	-	-	220,550
Restricted	-	633,393	4,204,368	-	1,724,873	6,562,634
Committed	-	-	-	1,929,568	-	1,929,568
Assigned	-	-	-	-	396,497	396,497
Unassigned	2,652,125	-	-	-	(332,053)	2,320,072
Total fund balance	<u>2,872,675</u>	<u>633,393</u>	<u>4,204,368</u>	<u>1,929,568</u>	<u>1,789,317</u>	<u>11,429,321</u>
Total liabilities and fund balance	<u>\$5,597,801</u>	<u>\$ 748,857</u>	<u>\$ 4,332,363</u>	<u>\$ 1,934,033</u>	<u>\$ 2,346,167</u>	<u>\$ 14,959,221</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, 2017**

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

Total fund balance - governmental fund	\$ 11,429,321
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental fund, net of accumulated depreciation.	8,847,290
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	3,554,891
Compensated absences payable	(659,362)
Claims and judgments payable	(75,000)
Net other post-employment benefit obligation	(1,488,216)
Deferred inflows related to pension liability	(720,632)
Net pension liability	<u>(10,401,026)</u> <u>(9,789,345)</u>
Net position of governmental activities	<u>\$ 10,487,266</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, 2017**

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	Special Revenue Funds				Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Half Cent Special Tax	Street Maintenance/ Construction	Traffic Division Fund		
<b>REVENUES</b>						
Taxes:						
Sales	\$ 3,823,098	\$ 956,055	\$ 818,595	\$ -	\$ -	\$ 5,597,748
Franchise	663,941	-	-	-	-	663,941
Property	369,811	-	-	-	-	369,811
Hotel/Motel	158,452	-	-	-	-	158,452
Other	175,056	-	-	-	-	175,056
Charges for services	1,638,284	-	-	-	214,133	1,852,417
License and permits	457,660	-	-	-	129,266	586,926
Criminal fees and fines	123,498	-	-	440,533	178,617	742,648
Investment income	-	-	-	-	5,253	5,253
Intergovernmental	780,685	-	-	-	-	780,685
Other revenue	(38,441)	-	-	-	149,875	111,434
Total revenues	<u>8,152,044</u>	<u>956,055</u>	<u>818,595</u>	<u>440,533</u>	<u>677,144</u>	<u>11,044,371</u>
<b>EXPENDITURES</b>						
Current function:						
General government	1,453,431	-	-	-	370,582	1,824,013
Public safety	4,442,707	625,706	-	101,600	564,804	5,734,817
Public works	3,359,563	-	131,866	-	17,140	3,508,569
Recreation	64,028	-	-	-	-	64,028
Capital outlays	<u>235,172</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>485,172</u>
Total expenditures	<u>9,554,901</u>	<u>625,706</u>	<u>131,866</u>	<u>351,600</u>	<u>952,526</u>	<u>11,616,599</u>
(Deficiency) excess of revenues over expenditures	<u>(1,402,857)</u>	<u>330,349</u>	<u>686,729</u>	<u>88,933</u>	<u>(275,382)</u>	<u>(572,228)</u>

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

**CITY OF BAKER, LOUISIANA**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances, Continued**  
**For the Year Ended June 30, 2017**

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	<b>Special Revenue Funds</b>					<b>Other Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Half Cent Special Tax</b>	<b>Street Maintenance/ Construction</b>	<b>Traffic Division Fund</b>			
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from insurance recoveries	\$ 1,203,603	\$ 298,300	\$ -	\$ -	\$ -	\$ -	\$ 1,501,903
Transfers in	-	-	-	-	-	65,495	65,495
Transfers out	(65,495)	-	-	-	-	-	(65,495)
Total other financing sources, net	<u>1,138,108</u>	<u>298,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,495</u>	<u>1,501,903</u>
Net change in fund balance	(264,749)	628,649	686,729	88,933	(209,887)	929,675	
<b>FUND BALANCE</b>							
Beginning of year, restated	<u>3,137,424</u>	<u>4,744</u>	<u>3,517,639</u>	<u>1,840,635</u>	<u>1,999,204</u>	<u>10,499,646</u>	
End of year	<u>\$ 2,872,675</u>	<u>\$ 633,393</u>	<u>\$ 4,204,368</u>	<u>\$ 1,929,568</u>	<u>\$ 1,789,317</u>	<u>\$ 11,429,321</u>	

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

**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, 2017**

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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	\$ 929,675
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The governmental fund reports capital outlays 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 outlays.

Capital outlay	485,172
Depreciation expense	<u>(874,389)</u> (389,217)

The net effect of various transactions involving capital assets, trade-ins, and donations, is to decrease net position.

Loss on disposal of capital assets	(77,789)
------------------------------------	----------

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.

	(101,052)
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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	(318,735)
Changes in net pension obligations are reported only in the Statement of Activities	<u>170,943</u>

Change in net position of governmental activities	<u>\$ 213,825</u>
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The accompanying notes are an integral part of the basic financial statements.

**CITY OF BAKER, LOUISIANA**  
**Enterprise Funds**  
**Statement of Net Position**  
**June 30, 2017**

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	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,516,612	\$ 279,145	\$ 239,012	\$ 5,034,769
Investments	732,438	-	-	732,438
Accounts receivable, net	383,125	115,801	627,325	1,126,251
Due from other funds	2,501,915	-	-	2,501,915
Inventory, prepaids, and other	87,063	222,591	616	310,270
Total current assets	<u>8,221,153</u>	<u>617,537</u>	<u>866,953</u>	<u>9,705,643</u>
Restricted assets:				
Cash and cash equivalents	-	19,149	-	19,149
Investments	-	264,557	-	264,557
Capital assets:				
Nondepreciable	243,572	130,000	-	373,572
Depreciable, net	<u>7,127,512</u>	<u>87,627</u>	<u>-</u>	<u>7,215,139</u>
Total assets	<u>15,592,237</u>	<u>1,118,870</u>	<u>866,953</u>	<u>17,578,060</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Pension liability	606,392	38,786	-	645,178
Total assets and deferred outflows of resources	<u>\$ 16,198,629</u>	<u>\$ 1,157,656</u>	<u>\$ 866,953</u>	<u>\$ 18,223,238</u>

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

**CITY OF BAKER, LOUISIANA**  
**Enterprise Funds**  
**Statement of Net Position, Continued**  
**June 30, 2017**

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	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 294,988	\$ 5,870	\$ -	\$ 300,858
Accrued liabilities	35,987	-	657,763	693,750
Bonds payable	99,000	-	-	99,000
Customer utility deposits	1,116,263	-	-	1,116,263
Merchandise payable	-	1,206,694	-	1,206,694
Unearned revenue	56,446	-	-	56,446
Current portion of compensated absences	26,973	200	167	27,340
Total current liabilities	<u>1,629,657</u>	<u>1,212,764</u>	<u>657,930</u>	<u>3,500,351</u>
Non-current liabilities:				
Bonds payable	1,516,000	-	-	1,516,000
Compensated absences, less current portion	173,949	1,291	1,073	176,313
Other post-employment benefits	284,266	33,443	16,722	334,431
Net pension liabilities	<u>1,605,370</u>	<u>102,682</u>	-	<u>1,708,052</u>
Total non-current liabilities	<u>3,579,585</u>	<u>137,416</u>	<u>17,795</u>	<u>3,734,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension liability	55,082	3,523	-	58,605
Total liabilities and deferred inflows of resources	<u>5,264,324</u>	<u>1,353,703</u>	<u>675,725</u>	<u>7,293,752</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,756,084	217,627	-	5,973,711
Restricted	-	283,706	-	283,706
Unrestricted	<u>5,178,221</u>	<u>(697,380)</u>	<u>191,228</u>	<u>4,672,069</u>
Total net position	<u>10,934,305</u>	<u>(196,047)</u>	<u>191,228</u>	<u>10,929,486</u>
Total liabilities and net position	<u>\$ 16,198,629</u>	<u>\$ 1,157,656</u>	<u>\$ 866,953</u>	<u>\$ 18,223,238</u>

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

**CITY OF BAKER, LOUISIANA**  
**Enterprise Funds**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2017**

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	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 934,996	\$ -	\$ -	\$ 934,996
Natural gas	1,495,606	-	-	1,495,606
Sewer	810,827	-	68,475	879,302
Other	314,396	680	-	315,076
Sales	-	257,144	-	257,144
Total operating revenues	<u>3,555,825</u>	<u>257,824</u>	<u>68,475</u>	<u>3,882,124</u>
<b>OPERATING EXPENSES</b>				
Payroll and related benefits	1,345,520	148,515	39,314	1,533,349
Supplies	252,131	6,420	-	258,551
Cost of goods sold	453,585	64,451	-	518,036
Contractual services	131,699	-	-	131,699
Depreciation	299,860	5,343	-	305,203
Repairs and maintenance	214,540	4,653	-	219,193
Rent expense	321,000	-	-	321,000
Insurance expense	55,191	6,115	50	61,356
Auto expense	51,629	2,995	-	54,624
Utilities	132,301	6,709	-	139,010
Other operating expense	128,703	16,065	-	44,768
Total operating expenses	<u>3,386,159</u>	<u>261,266</u>	<u>39,364</u>	<u>3,686,789</u>
Operating income (deficit)	<u>169,666</u>	<u>(3,442)</u>	<u>29,111</u>	<u>195,335</u>

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

**CITY OF BAKER, LOUISIANA**  
**Enterprise Funds**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position, Continued**  
**For the Year Ended June 30, 2017**

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	Utility	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Grant proceeds	\$ 73,733	\$ 1,518	\$ -	\$ 75,251
Interest expense	(49,059)	-	-	(49,059)
Interest income (loss)	63	(13,205)	-	(13,142)
Total nonoperating income (expense)	<u>24,737</u>	<u>(11,687)</u>	<u>-</u>	<u>13,050</u>
Change in net position	194,403	(15,129)	29,111	208,385
<b>NET POSITION</b>				
Beginning of year	<u>10,739,902</u>	<u>(180,918)</u>	<u>162,117</u>	<u>10,721,101</u>
End of year	<u>\$ 10,934,305</u>	<u>\$ (196,047)</u>	<u>\$ 191,228</u>	<u>\$ 10,929,486</u>

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

**CITY OF BAKER, LOUISIANA**  
**Enterprise Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

	Public Utility Fund	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,305,693	\$ 172,842	\$ 170,076	\$ 3,648,611
Payments to suppliers	(1,476,288)	(62,069)	(75,086)	(1,613,443)
Payment to employees	(1,025,990)	(107,965)	(39,689)	(1,173,644)
Net cash provided by operating activities	<u>803,415</u>	<u>(10,397)</u>	<u>55,301</u>	<u>848,319</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants	73,733	1,518	-	75,251
Net cash provided by noncapital financing activities	<u>73,733</u>	<u>1,518</u>	<u>-</u>	<u>75,251</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(32,347)	(37,999)	-	(70,346)
Principal payment on bonds payable	(96,000)	-	-	(96,000)
Interest payments on bonds payable	(49,059)	-	-	(49,059)
Increase in due from other funds	<u>(2,380,498)</u>	<u>-</u>	<u>-</u>	<u>(2,380,498)</u>
Net cash used in capital and related financing activities	<u>(2,557,904)</u>	<u>(37,999)</u>	<u>-</u>	<u>(2,595,903)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	63	-	-	63
Net cash provided by (used in) investing activities	<u>63</u>	<u>-</u>	<u>-</u>	<u>63</u>
Net increase (decrease) in cash	(1,680,693)	(46,878)	55,301	(1,672,270)
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning of period	6,197,305	326,023	183,711	6,707,039
End of period	<u>\$ 4,516,612</u>	<u>\$ 279,145</u>	<u>\$ 239,012</u>	<u>\$ 5,034,769</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, 2017**

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	Public Utility Fund	Cemetery	City Parish Sewer Revenue	Total Enterprise Funds
<b>RECONCILIATION OF OPERATING LOSS</b>				
<b>TO NET CASH PROVIDED BY</b>				
<b>OPERATING ACTIVITIES:</b>				
Operating (loss) gain	\$ 169,666	\$ (3,442)	\$ 29,111	\$ 195,335
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	299,860	5,343	-	305,203
Unrealized gain	-	(13,205)	-	(13,205)
Change in operating assets and liabilities:				
Change in net pension liability and related deferred outflows and inflows	167,490	19,764	-	187,254
Accounts receivable and other assets	(275,646)	35,493	(526,340)	(766,493)
Customer deposits	(41,805)	(64,824)	-	(106,629)
Accounts payable and other accrued liabilities	<u>483,850</u>	<u>10,474</u>	<u>552,530</u>	<u>1,046,854</u>
Net cash provided by (used in) operating activities	<u><u>\$ 803,415</u></u>	<u><u>\$ (10,397)</u></u>	<u><u>\$ 55,301</u></u>	<u><u>\$ 848,319</u></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**

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**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.

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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**Discrete Component Units**

**VFD Baker Social Club** – The Baker Volunteer Fire Department Social Club was organized to (1) promote good fellowship among members and volunteers of the Baker Fire Department; (2) promote community-based activities within the City of Baker, LA; (3) provide educational opportunities for members, volunteers and citizens of the City of Baker, LA in the areas of fire-fighting and emergency rescue; and (4) stimulate interest in the profession of fire-fighting. The financial statements of the organization for the year ended June 30, 2017, are insignificant and not included in the basic financial statements.

**Baker Police Reserve** – The Baker Police Reserves was organized primarily to provide a non-partisan, non-denominational, non-discriminatory volunteer organization in order to promote training in the performance of police duties and instruction in procedures, regulations and ordinances of the Baker Police Department and laws of the City of Baker. The financial statements of the organization for the year ended June 30, 2017, are insignificant and not included in the basic 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.

**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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

*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.

**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  $\frac{1}{2}$ -cent sales tax dedicated to salaries and benefits of policemen and firemen.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

*Special revenue funds, Continued*

The Street Maintenance/Operations Fund accounts for the 1½-cent sales tax dedicated to road repairs and maintenance and capital improvements.

The Traffic Division Fund accounts for the revenues and expenses associated with the City's traffic camera fines:

*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 payments 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 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**Basis of Accounting and Measurement Focus, Continued**

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.

**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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**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**

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**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, 2014, 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 Position**

For government-wide statement of net position, net position is reported as restricted when constraints placed on net position 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.

**Fund Balance and Fund Financial Statements**

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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance and Fund Financial Statements, Continued**

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.
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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Stewardship, Compliance, and Accountability, Continued**

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 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Levied Taxes, Continued**

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

Fund Type	Purpose	Millage	Expiration Date
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.

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:

Fund Type	Purpose	Percent	Expiration Date
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, 2017, the City had cash (book balances) totaling \$12,568,525 consisting primarily of demand deposit accounts and certificates of deposit 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.

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

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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Deposits and Cash Equivalents, Continued**

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, 2017, the City's bank balances amounted to \$14,093,538. 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.

**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.

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

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**NOTE 3 - CONCENTRATION OF CREDIT RISK (CONTINUED)**

**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, 2017. 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.

As of June 30, 2017, the City had the following investments in long-term debt securities and maturities:

Investments reported on the governmental-wide Statement of Net Position totaled \$5,874,490 as of June 30, 2017, which included \$3,204,211 fixed-income trusts investments and \$2,670,279 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.

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

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**NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)**

Accounts receivable at June 30, 2017 were as follows:

**Governmental Activities:**

	General Fund	Half Cent Special Tax	Street Maintenance/ Construction	Non-Major Governmental Funds	Total
Accounts receivable	\$ 618,866	\$ -	\$ -	\$ 2,250	\$ 621,116
Sales tax	549,164	152,750	112,076	-	813,990
Franchise tax	255,437	-	-	-	255,437
Total receivable	1,423,467	152,750	112,076	2,250	1,690,543
Less: Allowance for uncollectibles	(234,329)	-	-	-	(234,329)
Receivables, net	<u>\$ 1,189,138</u>	<u>\$ 152,750</u>	<u>\$ 112,076</u>	<u>\$ 2,250</u>	<u>\$ 1,456,214</u>

**Business Activities:**

	Utility	Cemetery	City Parish Sewer Revenue	Total
Accounts receivable	\$ 1,343,977	\$ 115,801	\$ 627,325	\$ 2,087,103
Less: Allowance for uncollectibles	(960,852)	-	-	(960,852)
Receivables, net	<u>\$ 383,125</u>	<u>\$ 115,801</u>	<u>\$ 627,325</u>	<u>\$ 1,126,251</u>

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

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**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

Individual fund interfund receivable and payables as of June 30, 2017, as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 246,050	\$ 2,385,520
Special Revenue Fund:		
Half-Cent Special Tax fund	-	105,809
Subtotal - Major Governmental Funds	<u>246,050</u>	<u>2,491,329</u>
Non-Major Governmental Funds:		
Special Revenue Fund:		
Grant Fund	-	255,925
Accrued Absence Expense Fund	-	673
Mobile Fire Training Fund	-	38
Subtotal - Non-Major Governmental Funds	<u>-</u>	<u>256,636</u>
Business-type - Enterprise Fund:		
Utility Fund	<u>2,501,915</u>	<u>-</u>
Total	<u><u>\$ 2,747,965</u></u>	<u><u>\$ 2,747,965</u></u>

For the year ended June 30, 2017, interfund transfers consisted of the follows:

	Transfer in	Transfer out
Major Governmental Funds:		
General Fund	\$ 42,180	\$ 107,675
Non-Major Governmental Funds:		
Special Revenue Fund:		
Project Acquisition Fund	-	42,180
Grant Fund	<u>107,675</u>	<u>-</u>
Total	<u><u>\$ 149,855</u></u>	<u><u>\$ 149,855</u></u>

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

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**NOTE 7 - CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of the changes in capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental activities:</b>				
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	-	-	5,810,769
Improvements	2,726,426	-	-	2,726,426
Streets/Bridges	5,500,954	-	-	5,500,954
Equipment	2,453,770	235,172	52,982	2,635,960
Vehicles	4,187,313	250,000	410,089	4,027,224
Furniture and equipment	673,958	-	106,978	566,980
Total capital assets, being depreciated	<u>21,353,190</u>	<u>485,172</u>	<u>570,049</u>	<u>21,268,313</u>
Total capital assets	22,226,912	485,172	570,049	22,142,035
Less accumulated depreciation for:				
Buildings	2,704,633	139,916	-	2,844,549
Improvements	2,713,075	2,202	-	2,715,277
Streets/Bridges	1,423,579	145,531	-	1,569,110
Equipment	2,271,859	96,232	52,515	2,315,576
Vehicles	3,400,960	458,240	390,616	3,468,584
Furniture and equipment	398,509	32,268	49,128	381,649
Total accumulated depreciation	<u>12,912,615</u>	<u>874,389</u>	<u>492,259</u>	<u>13,294,745</u>
Total capital assets, being depreciated, net	<u>8,440,575</u>	<u>(389,217)</u>	<u>77,790</u>	<u>7,973,568</u>
Governmental activities capital assets, net	<u>\$ 9,314,297</u>	<u>\$ (389,217)</u>	<u>\$ 77,790</u>	<u>\$ 8,847,290</u>

Depreciation expense totaling \$874,389 for the year ended June 30, 2017 was charged to governmental functions as follows:

Public works	\$ 688,378
Public safety	152,883
General government	33,128
Total	<u>\$ 874,389</u>

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

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**NOTE 7 - CAPITAL ASSETS, CONTINUED**

**Business-Type Activities**

The following is a summary of the changes in capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-type activities:</b>				
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	-	-	14,112,248
Streets	50,000	-	-	50,000
Equipment	1,750,291	70,346	11,186	1,809,451
Vehicles	484,817	-	54,735	430,082
Furniture and equipment	106,595	-	-	106,595
Total capital assets, being depreciated	<u>16,777,261</u>	<u>70,346</u>	<u>65,921</u>	<u>16,781,686</u>
Total capital assets	17,150,833	70,346	65,921	17,155,258
Less accumulated depreciation for:				
Buildings	189,659	8,020	-	197,679
Utility systems	6,837,076	261,546	-	7,098,622
Streets	50,000	-	-	50,000
Equipment	1,659,203	35,552	11,186	1,683,569
Vehicles	484,817	-	54,735	430,082
Furniture and equipment	106,510	85	-	106,595
Total accumulated depreciation	<u>9,327,265</u>	<u>305,203</u>	<u>65,921</u>	<u>9,566,547</u>
Total capital assets, being depreciated, net	<u>7,449,996</u>	<u>(234,857)</u>	<u>-</u>	<u>7,215,139</u>
Business-type activities capital assets, net	<u>\$ 7,823,568</u>	<u>\$ (234,857)</u>	<u>\$ -</u>	<u>\$ 7,588,711</u>

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

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**NOTE 8 - 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](http://www.mersla.com)

**MPERS**

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

**FRS**

3100 Brentwood Drive  
Baton Rouge, LA 70809  
(225) 925-4060  
[www.lafirefightersret.com](http://www.lafirefightersret.com)

**LASERS**

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

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Municipal Employees' Retirement System of Louisiana (MERS)**

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2016, there were 85 contributing municipalities in Plan A and 68 in Plan B. The City of Baker is a participant in Plan A only.

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

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

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

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

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

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused sick leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in services to that age.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Municipal Employees' Retirement System of Louisiana (MERS), Continued**

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

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

**DROP Benefits:** In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Municipal Employees' Retirement System of Louisiana (MERS), Continued**

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

**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.

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

**Membership Prior to January 1, 2013:** A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Municipal Police Employees' Retirement System (MPERS), Continued**

Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

**Membership Commencing January 1, 2013:** Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

**Deferred Retirement Option Plan:** A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Municipal Police Employees' Retirement System (MPERS), Continued**

If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

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

**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.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Firefighters' Retirement System (FRS), Continued**

**Eligibility:** Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

**Deferred Retirement Option Plan:** After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account.

Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

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

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**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](http://www.lasersonline.org).

**Benefits Provided** - The following is a 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.

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

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

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Louisiana State Employees' Retirement System (LASERS), Continued**

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

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

**Deferred Retirement Benefits** - The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004,

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Louisiana State Employees' Retirement System (LASERS), Continued**

are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

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

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

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

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

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

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Louisiana State Employees' Retirement System (LASERS), Continued**

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

**Contributions**

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, 2017, for the City and covered employees were as follows:

	City	Employees
<b>Municipal Employees' Retirement System - Plan A</b>		
Members hired prior to 01/01/2013	22.75%	9.50%
Members hired after 01/01/2013	22.75%	9.50%
<b>Municipal Police Employees' Retirement System</b>		
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 employees hired after 01/01/2013	33.75%	8.00%
Employees receiving compensation below poverty		
guidelines of U. S. Department of Health	34.25%	7.50%
<b>Firefighters' Retirement System</b>		
Employees receiving compensation above poverty		
guidelines of U. S. Department of Health	25.25%	10.00%
Employees receiving compensation below poverty		
guidelines of U. S. Department of Health	27.25%	8.00%

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Contributions**

**Louisiana State Employees' Retirement System**

Judges hired before 01/01/11	39.10%	11.50%
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The contributions made to the Systems for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	2017	2016	2015
Municipal Employees' Retirement System - Plan A	\$ 495,797	\$ 420,789	\$ 376,372
Municipal Police Employees' Retirement System	357,968	385,802	378,585
Firefighters' Retirement System	217,261	232,083	219,063
Louisiana State Employees' Retirement System	38,054	37,748	35,967
	<hr/> <u>\$ 1,109,080</u>	<hr/> <u>\$ 1,076,422</u>	<hr/> <u>\$ 1,009,987</u>

**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, 2016 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2017 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2016 along with the change compared to the June 30, 2015 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, 2017	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
LASERS	\$ 439,194	0.0042%	0.0032%	0.0010%
MPERS	4,331,732	0.4622%	0.4507%	0.0115%
FRS	2,449,039	0.3744%	0.3589%	0.0155%
MERS	4,889,113	1.1928%	1.1890%	0.0038%
Total	<hr/> <u>\$ 12,109,078</u>			

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

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

The following schedule list each pension plan's recognized pension expense (benefit) of the City for the year ended June 30, 2017:

LASERS	\$ 38,490
MPERS	47,358
FRS	138,564
MERS	<u>53,307</u>
Total	<u>\$ 277,719</u>

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 254	\$ (324,472)
Changes of assumptions	409,693	(943)
Net difference between projected and actual earnings on pension plan investments	1,904,386	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	776,656	(413,086)
Differences between allocated and actual contributions	-	(40,736)
Employer contributions subsequent to the measurement date	1,109,080	-
Total	<u>\$ 4,200,069</u>	<u>\$ (779,237)</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
LASERS	\$ 160,402	\$ (4,600)
MPERS	1,299,357	(330,737)
FRS	893,557	(276,144)
MERS	1,846,753	(167,756)
Total	<u>\$ 4,200,069</u>	<u>\$ (779,237)</u>

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

The City reported a total of \$1,109,080 as deferred outflows of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2017. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
LASERS	\$ 38,054
MPERS	357,968
FRS	217,261
MERS	<u>495,797</u>
Total	<u>\$ 1,109,080</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	LASERS	MPERS	FPS	MERS	Total
2017	\$ -	\$ 32,081	\$ 100,561	\$ 408,811	\$ 541,453
2018	50,986	122,251	100,561	239,399	513,197
2019	32,455	287,015	137,532	361,783	818,785
2020	21,258	169,305	55,617	173,207	419,387
2021	13,049	-	(1,945)	-	11,104
2022	-	-	7,826	-	7,826
Total	<u>\$ 117,748</u>	<u>\$ 610,652</u>	<u>\$ 400,152</u>	<u>\$ 1,183,200</u>	<u>\$ 2,311,752</u>

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2016 are as follows:

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
LASERS	June 30, 2016	3 years	7.75% net of investment expenses
MPERS	June 30, 2016	4 years	7.5% net of investment expenses
FRS	June 30, 2016	7 years	7.5% net of fees
MERS	June 30, 2016	3 years	7.5% net of investment expenses

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**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.

**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).

<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.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**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:

Member Type	Lower Range	Upper Range
Regular	4.0%	13.0%
Judges	3.0%	5.5%
Corrections	3.6%	14.5%
Hazardous Duty	3.6%	14.5%
Wildlife	3.6%	14.5%

**Cost of Living Adjustments:**

**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.

**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.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**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 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 7.6% for the year ended June 30, 2016.

**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 rebalanceing/diversification. The resulting forecasted long-term rate of return is 8.25% for the year ended June 30, 2016.

**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 3%. The long term geometric expected rate of return was 8.34% as of June 30, 2016.

**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 rebalanceing/diversification. The resulting expected long-term rate of return is 8.72% as of June 30, 2016.

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

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, 2016:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	FRS	MERS	MPES	FRS
Public equity	50.0%	0.0%	0.0%	2.60%	0.00%	0.00%
Equity	0.0%	53.0%	58.0%	0.00%	3.69%	6.77%
Public fixed income	15.0%	0.0%	0.0%	1.80%	0.00%	0.00%
Fixed income	0.0%	21.0%	24.0%	0.00%	0.49%	1.85%
Alternatives	35.0%	20.0%	8.0%	0.80%	1.11%	6.67%
Other	0.0%	6.0%	10.0%	0.00%	0.21%	4.30%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>5.20%</u>	<u>5.50%</u>	<u>5.34%</u>
Inflation				<u>2.50%</u>	<u>2.75%</u>	<u>3.00%</u>
Expected Arithmetic Nominal Return				<u>7.70%</u>	<u>8.25%</u>	<u>8.34%</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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	-0.24%
Domestic equity	27%	4.31%
International equity	30%	5.48%
Domestic Fixed Income	10%	1.63%
International Fixed Income	2%	2.47%
Alternative Investments	24%	7.42%
Global Asset Allocation	7%	2.92%
Total	<u>100%</u>	<u>5.30%</u>

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

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**NOTE 8 - PENSION PLAN (CONTINUED)**

**Discount Rate:**

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS, MPERS, FRS, and LASERS was 7.50%, 7.50%, 7.50%, and 7.75%, respectively for the year ended June 30, 2017.

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
<b>LASERS</b>			
Discount Rates	6.75%	7.75%	8.75%
Share of Net Pension Liability	\$ 539,589	\$ 439,194	\$ 353,888
<b>MPERS</b>			
Discount Rates	6.50%	7.50%	8.50%
Share of Net Pension Liability	\$ 5,774,571	\$ 4,331,732	\$ 3,120,337
<b>FRS</b>			
Discount Rates	6.50%	7.50%	8.50%
Share of Net Pension Liability	\$ 3,336,618	\$ 2,449,039	\$ 1,702,602
<b>MERS</b>			
Discount Rates	6.50%	7.50%	8.50%
Share of Net Pension Liability	\$ 6,214,974	\$ 4,889,113	\$ 3,757,749

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

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**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS PLAN**

In accordance with state statutes, the City of Baker provides certain postemployment health care and life insurance benefits to its retired employees. Substantially all of the City of Baker's 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.

**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 70% of the medical and dental coverage for the retiree and dependents. 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, 2011, the City of Baker implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB 45), which required the City to recognize the cost of the benefits over the periods of employment and recognize a liability for any unfunded benefits. In 2017, the City of Baker's portion of health care premiums funding cost for retired employees totaled \$237,741. This amount was applied toward the Net OPEB Benefit Obligation.

**Annual Required Contribution:** The City of Baker's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities (UAL) over a period of thirty years. A 30 year amortization period (the maximum amortization period allowed by GASB 45) was used for post-employment benefits. The total ARC for the fiscal year 2017 is \$587,736 as set forth below:

Normal cost at fiscal year end	\$ 145.186
Amortization of UAAL (30-year period)	<u>442.550</u>
Annual Required Contribution (ARC)	<u>\$ 587.736</u>

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

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**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

***Net Post-employment Benefit Obligation:*** The table below shows the City of Baker's Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2017:

Annual Required Contribution	\$ 587,736
Interest on prior year Net OPEB Obligation	49,672
Adjustment to ARC	<u>(70,419)</u>
Annual OPEB Cost	566,989
Actual contributions made	(237,741)
Estimated Increase in Net OPEB Obligation	329,248
Net OPEB Obligation - Beginning of year	<u>1,493,399</u>
Estimated Net OPEB Obligation - End of year	<u><u>\$ 1,822,647</u></u>

The following table shows the City of Baker's annual post-employment benefits cost, percentage of the cost contributed and the net unfunded post-employment benefits obligation (asset) for the last three years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed		Net OPEB Obligation (Asset)
		Contributed	Annual Cost	
June 30, 2015	\$ 490,168	66.38%		\$1,241,795
June 30, 2016	566,989	55.62%		1,493,399
June 30, 2017	566,989	41.93%		1,822,647

***Funded Status and Funding Progress:*** In the fiscal year ending June 30, 2017, the City of Baker made no contributions to its post-employment benefits plan other than premiums currently due. The plan was not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2016 actuarial valuation, the most recent valuation and the projections based on information from the previous actuarial valuation report, the projected Actuarial Accrued Liability (AAL) at the year ended June 30, 2017 was \$7,753,443 which is defined as that portion, as determined by a particular actuarial cost method (the City of Baker uses the Projected Unit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

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

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**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Key financial indicators of the plan include:

Actuarial Accrued Liability (AAL)	\$ 7,753,443
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	7,753,443
Funded Ratio (Actuarial Valuation Assets (AAL))	0.00%
Covered Payroll	\$ 5,553,109
Unfunded Actuarial Accrued Liability (UAAL) as a percentage of covered payroll	139.62%

***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.

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

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

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**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Value of Plan Assets:*** There are no plan assets and thus the plan is not "funded". It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement No. 45 will be used.

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

***Post-employment Benefit Plan Eligibility Requirements:*** Based on prior historical experience, it has assumed that employees retire four years after the earliest eligibility. The four year delay covers three years of D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement.

***Investment Return Assumption (Discount Rate):*** GASB Statement No. 45 states that the investment return assumption should be the estimated long-term investment yield on the investment that are expected to be used to finance the payment of benefit (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

***Health Care Cost Trend Rate:*** For retirees under the age of 65, the expected rate of increase in medical cost is based on a graded schedule beginning with 7% annually, down to an ultimate annual rate of 4.5% for five years out and later. For retirees that are 65 years of age and older, the expected rate of increase in medical cost is based on a graded schedule beginning with 5% annually, down to an ultimate annual rate of 4.5% for five years out and later.

***Mortality Rate:*** the RP-2000 Combined Table Male/Female Projection AA 2015 table was used.

***Inflation Rate:*** Included in both Investment Return Assumption and Healthcare Cost rates are above an implicit inflation assumption of 3.00% annually.

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

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

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

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**NOTE 10 – SEGMENTS OF ENTERPRISE ACTIVITIES**

Gas, water, and sewage service are provided by the City and are financed by user charges. The significant financial data for the services for the year ended June 30, 2017 is as follows:

	Gas	Water	Sewer	Administrative	Total
Operating revenues	\$ 1,608,123	\$ 1,114,620	\$1,163,006	\$ -	\$ 3,885,749
Operating expenses	(1,235,596)	(693,723)	(403,757)	(379,915)	(2,712,991)
Depreciation	(84,496)	(225,386)	(29,237)	(38,980)	(378,099)
Other revenues (expenses)	-	-	-	(16,172)	(16,172)
Change in net position	<u>\$ 288,031</u>	<u>\$ 195,511</u>	<u>\$ 730,012</u>	<u>\$ (435,067)</u>	<u>\$ 778,487</u>

**NOTE 11 - LONG-TERM DEBT**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2017:

Type of Debt	GOVERNMENTAL ACTIVITIES				
	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017	Amount Due Within One Year
Compensated absences	\$ 558,310	\$ 101,052	\$ -	\$ 659,362	\$ 100,000
Claims & Judgments	75,000	-	-	75,000	-
Net Postemployment Benefit Obligation	1,169,481	318,735	-	1,488,216	-
Net pension liabilities	<u>8,857,606</u>	<u>1,543,420</u>	<u>-</u>	<u>10,401,026</u>	<u>-</u>
	<u>\$ 10,660,397</u>	<u>\$ 1,963,207</u>	<u>\$ -</u>	<u>\$ 12,623,604</u>	<u>\$ 100,000</u>

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

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**NOTE 11 - LONG-TERM DEBT, Continued**

Type of Debt	BUSINESS-TYPE ACTIVITIES					Amount Due Within One Year
	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017		
Compensated absences	\$ 198,610	\$ 5,043	\$ -	\$ 203,653		\$ 27,340
\$2,000,000 Water Revenue Bonds Series 2010A	828,000	-	46,000	782,000		48,000
\$2,200,000 Water Revenue Bonds Series 2010B	883,000	-	50,000	833,000		51,000
Net Postemployment Benefit Obligation	323,918	10,513	-	334,431		-
Net pension liabilities	1,162,634	545,418	-	1,708,052		-
	<u>\$ 3,396,162</u>	<u>\$ 560,974</u>	<u>\$ 96,000</u>	<u>\$ 3,861,136</u>		<u>\$ 126,340</u>

The individual bond issues and loan agreement are as follows:

Bond Issue/Loan Agreement	Original Issue Amount	Interest Rate	Principal Outstanding June 30, 2017	Interest to Maturity	Maturity Date
Water Revenue Bond, Series 2010A	\$ 2,000,000	2.9500%	\$782,000	\$181,779	2031
Water Revenue Bond, Series 2010B	\$ 2,200,000	2.950%	\$833,000	\$193,815	2031

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

Year Ending June 30,	Principal Payments	Interest Payments	Total
2018	\$ 99,000	\$ 47,642	\$ 146,642
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
2023-2031	<u>1,099,000</u>	<u>167,176</u>	<u>1,266,176</u>
	<u>\$ 1,615,000</u>	<u>\$ 375,594</u>	<u>\$ 1,990,594</u>

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

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**NOTE 12 - 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 13 - RELATED PARTY TRANSACTIONS**

There were no related party transactions that would require disclosure in the accompanying financial statements.

**NOTE 16 - 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 15- DEFICIT FUND BALANCES**

The following funds contain deficit fund balances as of June 30, 2017:

Accrued Absence Fund (Non-major)	\$ 640,321
Grant Fund (Non-major)	148,140
Cemetery (Major enterprise fund)	<u>196,074</u>
Total	<u>\$ 984,508</u>

To absolve the deficit fund balances 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**

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**NOTE 16 - PRIOR PERIOD ADJUSTMENTS**

The July 1, 2016, beginning balances of the net position of the government-wide statement of activities, statement of revenues, expenditures, and changes in fund balance – governmental funds, and statement of revenues, expenses, and changes in fund net position – enterprise funds were restated as follows:

The July 1, 2016, beginning balances of the net position were restated as follows:

**Government-Wide Financial Statements**

	Governmental Activities		Business-Type Activities		Total	
	General Fund	Half Cent Special Tax	Street Maintenance/Construction	Traffic Division	Non-Major Governmental Funds	Total
Total net position, June 30, 2016, as previously reported		\$ 9,324,069		\$ 11,505,044		\$ 20,829,113
Fund-basis adjustments referenced below		223,531		(783,943)		(560,412)
Correction of prior year deferred inflows and outflows related to NPL		725,841		-		725,841
Total net position, June 30, 2016, restated		<u>\$ 10,273,441</u>		<u>\$ 10,721,101</u>		<u>\$ 20,994,542</u>
Total fund balance, June 30, 2016, as previously reported	\$ 2,776,452	\$ (34,720)	\$ 3,541,173	\$ 1,838,087	\$ 2,155,123	\$ 10,276,115
To correct prior year accounts payable	248,542	-	-	-	-	248,542
To correct prior year inventory balance	(99,618)	-	-	-	-	(99,618)
To correct cash balances	185,906	-			(208,492)	(22,586)
To record prior grant advance	(60,656)	-	-		-	(60,656)
To correct prior year receivable balances	68,316	39,464	(23,534)		-	84,246
Other	18,482	-	-	2,548	52,573	73,603
Total fund balance, June 30, 2016, restated	<u>\$ 3,137,424</u>	<u>\$ 4,744</u>	<u>\$ 3,517,639</u>	<u>\$ 1,840,635</u>	<u>\$ 1,999,204</u>	<u>\$ 10,499,646</u>

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

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**NOTE 16 - PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

**Enterprise Funds**

	Utility	Cemetery	City Parish Sewer Revenue	Total
Total net position, June 30, 2016, as previously reported	\$ 11,494.689	\$ (148,022)	\$ 158,377	\$ 11,505,044
Adjust allowance for bad debt to actual	(794,739)	-	-	(794,739)
To correct prior year accounts payable	258,399	2,561	-	260,960
Compensated absence prior year adjustment	(141,976)	-	-	(141,976)
Corrections of interfund balances	(205,417)	-	-	(205,417)
To adjust prior year health insurance liability	128,946	(35,457)	3,740	97,229
Total net position, June 30, 2016, restated	<u>\$ 10,739,902</u>	<u>\$ (180,918)</u>	<u>\$ 162,117</u>	<u>\$ 10,721,101</u>

**NOTE 17 - SUBSEQUENT EVENTS**

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the City has evaluated subsequent events and the reason for selecting that date. The City evaluated subsequent events through January 11, 2018, the date the financial statements were available to be issued.

**NOTE 18 – INSURANCE LOSS RECOVERIES**

In August 2016, prolonged rainfall in southern parts of Louisiana resulting in significant flooding in certain areas. The City of Baker and surrounding areas incurred damages as a result of the flooding. Several city properties including City Hall flooded during the event. The City received approximately \$1.2 million in insurance loss recoveries for properties damaged during the Great Flood. The recoveries are reported as other revenue in the Government-Wide Statement of Activities.

**NOTE 19 – ECONOMIC DEPENDENCY**

The City receives a significant amount of revenue from taxpayers within the City of Baker and East Baton Rouge Parish. Sales tax revenue was 44 percent of total governmental revenues for the year ended June 30, 2017.

## **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, 2017**

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	Original Budget	Final Budget	Actual	Variance- positive (negative)
<b>REVENUES</b>				
Taxes:				
Sales	\$ 3,291,224	\$ 3,291,220	\$ 3,823,098	\$ 531,878
Franchise	667,600	667,600	663,941	(3,659)
Property	450,000	450,000	369,811	(80,189)
Hotel/Motel	111,000	165,000	158,452	(6,548)
Other	201,000	176,000	175,056	(944)
Charges for services	1,769,350	1,574,250	1,638,284	64,034
License and permits	466,950	418,690	457,660	38,970
Criminal fees and fines	187,540	158,400	123,498	(34,902)
Intergovernmental	113,216	314,216	780,685	466,469
Other revenue	48,600	6,900	(38,441)	(45,341)
Total revenues	<u>7,306,480</u>	<u>7,222,276</u>	<u>8,152,044</u>	<u>929,768</u>
<b>EXPENDITURES</b>				
Current function:				
General government	1,395,000	1,696,240	1,453,431	242,809
Public safety	4,073,938	4,756,843	4,442,707	314,136
Public works	2,721,772	3,296,410	3,359,563	(63,153)
Recreation	70,430	75,430	64,028	11,402
Capital outlays	-	-	235,172	(235,172)
Total expenditures	<u>8,261,140</u>	<u>9,824,923</u>	<u>9,554,901</u>	<u>270,022</u>
Excess (deficiency) of revenues over expenditures	<u>(954,660)</u>	<u>(2,602,647)</u>	<u>(1,402,857)</u>	<u>1,199,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance recoveries	29,270	1,460,000	1,203,603	(256,397)
Transfers out	-	-	(65,495)	(65,495)
Total other financing sources (uses), net	<u>29,270</u>	<u>1,460,000</u>	<u>1,138,108</u>	<u>(321,892)</u>
Net change in fund balance	<u>\$ (925,390)</u>	<u>\$ (1,142,647)</u>	<u>\$ (264,749)</u>	<u>\$ 877,898</u>
<b>FUND BALANCE</b>				
Beginning of year				<u>3,137,424</u>
End of year				<u>\$ 2,872,675</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, 2017**

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	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Taxes:				
Sales	\$ 790,000	\$ 760,000	\$ 956,055	\$ 196,055
<b>EXPENDITURES</b>				
Current function:				
Public safety	<u>800,500</u>	<u>963,890</u>	<u>625,706</u>	<u>338,184</u>
Excess (deficiency) of revenues over expenditures	(10,500)	(203,890)	330,349	534,239
<b>OTHER FINANCING SOURCES</b>				
Proceeds from insurance recoveries	<u>10,500</u>	<u>298,000</u>	<u>298,300</u>	<u>300</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 94,110</u>	<u>628,649</u>	<u>\$ 534,539</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>4,744</u>	
End of year			<u>\$ 633,393</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, 2017**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (negative)
<b>REVENUES</b>				
Taxes:				
Sales	\$ 617,000	\$ 617,000	\$ 818,595	\$ 201,595
<b>EXPENDITURES</b>				
Current function:				
Public works	<u>617,000</u>	<u>617,500</u>	<u>131,866</u>	<u>485,634</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (500)</u>	<u>686,729</u>	<u>\$ 687,229</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>3,517,639</u>	
End of year			<u>\$ 4,204,368</u>	

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

**CITY OF BAKER, LOUISIANA**  
**Traffic Division Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget (GAAP Basis) and Actual**  
**for the Year Ended June 30, 2017**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
<b>REVENUES</b>				
Criminal fees and fines	\$ 760,000	\$ 406,000	\$ 440,533	\$ 34,533
<b>EXPENDITURES</b>				
Current function:				
Public safety	510,000	417,740	101,600	316,140
Capital outlay	250,000	340,000	250,000	90,000
Total expenditures	760,000	757,740	351,600	406,140
Net change in fund balance	<u>\$ -</u>	<u>\$ (351,740)</u>	88,933	<u>\$ 440,673</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,840,635</u>	
End of year			<u>\$ 1,929,568</u>	

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

**CITY OF BAKER, LOUISIANA**  
**Schedule of Proportionate Share of Pension Liability**  
**Last Ten Fiscal Years**

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<b>MPERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability	0.4622%	0.4507%	0.4996%
Employer's Proportion of the Net Pension Liability	\$ 4,331,732	\$ 3,530,395	\$ 3,125,595
Employer's Covered-Employee Payroll	\$ 1,127,457	\$ 1,221,242	\$ 1,060,968
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	384.20%	289.08%	294.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.04%	70.73%	75.10%
<b>MERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability	1.1928%	1.1890%	1.1392%
Employer's Proportion of the Net Pension Liability	\$ 4,889,113	\$ 4,247,287	\$ 2,923,588
Employer's Covered-Employee Payroll	\$ 2,179,327	\$ 2,007,317	\$ 2,068,064
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	224.34%	211.59%	141.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.34%	66.18%	73.99%
<b>FRS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability	0.3744%	0.3589%	0.3640%
Employer's Proportion of the Net Pension Liability	\$ 2,449,039	\$ 1,936,899	\$ 1,619,831
Employer's Covered-Employee Payroll	\$ 860,440	\$ 775,444	\$ 702,846
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.63%	249.78%	230.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.16%	72.45%	76.02%
<b>LASERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's Proportion of the Net Pension Liability	0.0042%	0.0032%	0.0038%
Employer's Proportion of the Net Pension Liability	\$ 439,194	\$ 305,659	\$ 343,846
Employer's Covered-Employee Payroll	\$ 97,325	\$ 86,670	\$ 83,875
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	451.27%	352.67%	409.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 30<sup>th</sup> 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**

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<b>MPERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 357,968	\$ 385,802	\$ 378,585
Contributions made	357,968	385,802	378,585
Contribution (deficiency) excess	-	-	-
Employer's covered payroll	1,127,457	1,307,803	1,221,242
Contributions as a percentage of covered payroll	31.75%	29.50%	31.00%
<b>MERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 495,797	\$ 420,789	\$ 376,372
Contributions made	495,797	420,789	376,372
Contribution (deficiency) excess	-	-	-
Employer's covered payroll	2,179,327	2,130,577	2,007,317
Contributions as a percentage of covered payroll	22.75%	19.75%	18.75%
<b>FRS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 217,261	\$ 232,083	\$ 219,063
Contributions made	217,261	232,083	219,063
Contribution (deficiency) excess	-	-	-
Employer's covered payroll	860,440	851,681	775,444
Contributions as a percentage of covered payroll	25.25%	27.25%	28.25%
<b>LASERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 38,054	\$ 37,748	\$ 35,967
Contributions made	38,054	37,748	35,967
Contribution (deficiency) excess	-	-	-
Employer's covered payroll	97,325	99,076	86,670
Contributions as a percentage of covered payroll	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.

(2) The amounts presented have a measurement date of June 30<sup>th</sup> 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**  
**Notes to Proportionate Share of Net Position Liability**  
**and Schedule of Pension Contributions**  
**for the Year Ended June 30, 2017**

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**NOTE 1 - NET PENSION LIABILITY**

**Changes of Benefit Terms**

Municipal Police Employees' Retirement System (MPERS)

No Changes.

Municipal Employees' Retirement System (MERS)

No Changes.

Firefighters' Retirement System (FRS)

No Changes.

Louisiana State Employees' Retirement System (LASERS)

No Changes.

**Changes of Assumptions**

Municipal Police Employees' Retirement System (MPERS)

No Changes.

Municipal Employees' Retirement System (MERS)

No Changes.

Firefighters' Retirement System (FRS)

No Changes.

Louisiana State Employees' Retirement System (LASERS)

No Changes.

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, 2017**

Page 1 of 4

	Drivers License Building Fund	Project Acquisition Fund	Grant	Accrued Absence Fund	Bond Sinking Fund	Workforce Development Training Fund	Code Enforcement Officer Reimbursement Fund	Water Revenue Bond Debt Service Reserve Fund
<b>ASSETS</b>								
Cash and cash equivalents	\$ 129,250	\$ -	\$ 107,785	\$(629,811)	\$ 139,573	\$ 8,931	\$ 29,258	\$ 74,939
Investments	198,285	-	-	-	-	-	-	-
Accounts Receivable, net	-	-	-	-	-	-	2,250	-
Total assets	<u>\$ 327,535</u>	<u>\$ -</u>	<u>\$ 107,785</u>	<u>\$(629,811)</u>	<u>\$ 139,573</u>	<u>\$ 18,931</u>	<u>\$ 31,508</u>	<u>\$ 74,939</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	9,837	-	-	-	-
Due to other funds	-	-	255,925	673	-	-	-	-
Total liabilities	<u>824</u>	<u>-</u>	<u>255,925</u>	<u>10,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>								
Restricted	-	-	-	-	139,573	18,931	31,508	74,939
Committed	-	-	-	-	-	-	-	-
Assigned	326,711	-	-	-	-	-	-	-
Unassigned	-	-	(148,140)	(640,321)	-	-	-	-
Total fund balance	<u>326,711</u>	<u>-</u>	<u>(148,140)</u>	<u>(640,321)</u>	<u>139,573</u>	<u>18,931</u>	<u>31,508</u>	<u>74,939</u>
Total liabilities and fund balance	<u>\$ 327,535</u>	<u>\$ -</u>	<u>\$ 107,785</u>	<u>\$(629,811)</u>	<u>\$ 139,573</u>	<u>\$ 18,931</u>	<u>\$ 31,508</u>	<u>\$ 74,939</u>

See accompanying independent auditors' report.

**CITY OF BAKER, LOUISIANA**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet, Continued**  
**June 30, 2017**

Page 2 of 4

	Mobile Fire Training	Water System Depreciation and Contingency Fund	911 Communication Fund	Supplemental Pay Fund	Fire District One Fund	Marshal Account Fund	City Court	Total Non- Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,261	\$ 99,975	\$ 277,075	\$ 32,632	\$ 35,968	\$ 277,301	\$ 1,434,009	\$ 2,028,146
Investments	-	-	-	-	-	-	117,486	315,771
Accounts Receivable, net	-	-	-	-	-	-	-	2,250
Total assets	<u>\$ 1,261</u>	<u>\$ 99,975</u>	<u>\$ 277,075</u>	<u>\$ 32,632</u>	<u>\$ 35,968</u>	<u>\$ 277,301</u>	<u>\$ 1,551,495</u>	<u>\$ 2,346,167</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 37	\$ -	\$ 189	\$ -	\$ -	\$ 72,902	\$ 4,687	\$ 78,639
Accrued liabilities	-	-	872	-	-	-	210,866	221,575
Due to other funds	38	-	-	-	-	-	-	256,636
Total liabilities	<u>75</u>	<u>-</u>	<u>1,061</u>	<u>-</u>	<u>-</u>	<u>72,902</u>	<u>215,553</u>	<u>556,850</u>
<b>FUND BALANCE</b>								
Restricted	-	99,975	-	-	-	24,005	1,335,942	1,724,873
Committed	-	-	-	-	-	-	-	-
Assigned	1,186	-	-	32,632	35,968	-	-	396,497
Unassigned	-	-	276,014	-	-	180,394	-	(332,053)
Total fund balance	<u>1,186</u>	<u>99,975</u>	<u>276,014</u>	<u>32,632</u>	<u>35,968</u>	<u>204,399</u>	<u>1,335,942</u>	<u>1,789,317</u>
Total liabilities and fund balance	<u>\$ 1,261</u>	<u>\$ 99,975</u>	<u>\$ 277,075</u>	<u>\$ 32,632</u>	<u>\$ 35,968</u>	<u>\$ 277,301</u>	<u>\$ 1,551,495</u>	<u>\$ 2,346,167</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, 2017**

Page 3 of 4

	Drivers License Building Fund	Project Acquisition 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
<b>REVENUES</b>								
Taxes:								
Charges for services	\$ 35,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-
Criminal fees and fines	-	-	-	-	-	-	-	-
Investment income	-	-	110	-	4,470	-	-	82
Other revenue	-	-	-	-	-	-	27	-
Total revenues	35,587	-	110	-	4,470	-	27	82
<b>EXPENDITURES</b>								
Current function:								
General government	-	-	-	367,289	-	2,875	-	213
Public safety	-	-	-	-	-	-	-	-
Public works	17,140	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	17,140	-	-	367,289	-	2,875	-	213
(Deficiency) excess of revenues over expenditures	18,447	-	110	(367,289)	4,470	(2,875)	27	(131)

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, 2017**

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Page 4 of 4

	Drivers License Building Fund	Project Acquisition 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
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in (out)	\$ -	\$ (42,180)	\$ 107,675	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	18,447	(42,180)	107,785	(367,289)	4,470	(2,875)	27	(131)
<b>FUND BALANCE</b>								
Beginning of year	308,264	42,180	(255,925)	(273,032)	135,103	21,806	31,481	75,070
End of year	<u>\$ 326,711</u>	<u>\$ -</u>	<u>\$(148,140)</u>	<u>\$ (640,321)</u>	<u>\$ 139,573</u>	<u>\$ 18,931</u>	<u>\$ 31,508</u>	<u>\$ 74,939</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, 2017**

Page 1 of 2

	Mobile Fire Training 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
<b>REVENUES</b>								
Taxes:								
Charges for services	\$ -	\$ -	\$ 178,546	\$ -	\$ -	\$ -	\$ -	\$ 214,133
License and permits	-	-	-	-	-	129,266	-	129,266
Criminal fees and fines	-	-	-	-	-	-	178,617	178,617
Investment income	-	103	-	-	-	-	488	5,253
Other revenue	-	-	-	-	-	1,097	148,751	149,875
Total revenues	-	103	178,546	-	-	130,363	327,856	677,144
<b>EXPENDITURES</b>								
Current function:								
General government	-	205	-	-	-	-	-	370,582
Public safety	1,067	-	194,253	-	18,182	137,177	214,125	564,804
Public works	-	-	-	-	-	-	-	17,140
Recreation	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	1,067	205	194,253	-	18,182	137,177	214,125	952,526
(Deficiency) excess of revenues over expenditures	(1,067)	(102)	(15,707)	-	(18,182)	(6,814)	113,731	(275,382)

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, 2017**

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Page 2 of 2

	Mobile Fire Training 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
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in (out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,495
Net change in fund balance	(1,067)	(102)	(15,707)	-	(18,182)	(6,814)	113,731	(209,887)
<b>FUND BALANCE</b>								
Beginning of year	2,253	100,077	291,721	32,632	54,150	211,213	1,222,211	1,999,204
End of year	\$ 1,186	\$ 99,975	\$ 276,014	\$ 32,632	\$ 35,968	\$ 204,399	\$ 1,335,942	\$ 1,789,317

See accompanying independent auditors' report.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Compensation Paid to the Council Members**  
**for the Year Ended June 30, 2017**

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	<u>Amount</u>
<b>Council Members:</b>	
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 auditors' report.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Compensation, Benefits, and Other Payments to the Mayor**  
**for the Year Ended June 30, 2017**

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**Agency Head Name:** Darnell Waites, Mayor

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 77,753
Benefits - retirement	17,397
Memberships	200
Meals/lodging	705
Registration fees	605
Per diem	<u>300</u>
Total	<u>\$ 96,960</u>

See accompanying independent auditors' 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 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 certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as items #2017-001 through #2017-008 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items #2017-001, #2017-003 and #2017-008.

**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

January 11, 2018

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended June 30, 2017**

---

**SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

*Financial Statements*

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

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, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding Reference Number**

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

**Finding Classification**

Instance of noncompliance

**Finding Type**

Late Filing of Report with LLA

**Finding Title**

Untimely Submission of Financial Audit Report by Due Date

**Resolution (resolved, not resolved, partially resolved)**

Resolved

**Number of years finding reported**

Two (2) – 2015 and 2016

**Financial impact of finding**

Amount less than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

Under Louisiana Audit Law, the City is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles completed and filed with the Louisiana Legislative Auditor (LLA) of the State of Louisiana within six-months of the close of the calendar or fiscal year (June 30<sup>th</sup>).

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

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

**Condition**

The City did not meet the December 31, 2017, statutory deadline for filing 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 met.

**Cause**

The City was late getting started on adequate year end planning due to personnel turnover and hiring of outside accountants to facilitate the process. As a result, the City required additional time to complete its account analysis, reconciliation process and recordation of all the necessary adjustments to their accounting records.

**Effect**

The City was not in compliance with Louisiana statute for completion of the annual audit.

**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's Response**

The City will issue future audit reports timely. Due to the nature of FY 2016 audit matters reported, the City implemented an extensive corrective action plan and also hired a new auditor. Due to the effort exerted with the corrective action plan, an additional two (2) weeks was necessary to complete the audit in an appropriate manner.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-002 – 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**

One (1) - 2017

**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.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-002 – Bank Reconciliation, Continued**

**Condition**

During our testwork 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 a contract accounting firm to help resolve these conditions close to year-end.

**Cause**

Challenges resulting from staff changes and year end planning.

**Effect**

Various adjustments and write offs of reconciling items were made to cash accounts in order to properly reflect year end balances.

**Recommendation**

We recommend the City continues 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. We further recommend all bank reconciliations should be performed accurately and on a timely basis.

**Management Corrective Action Plan**

Since the City has outsourced certain accounting functions, including bank reconciliations, these schedules will be completed timely during FY 2018. The City has prepared bank reconciliations relating to the current year and will continue to maintain such documents currently moving forward. Additionally, some older checks were noted in the bank reconciliation process and will be investigated and resolved during FY 2018. Finally, bank statements and reconciliations will be provided to City management for appropriate oversight as recommended, including evidence of review.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-003 - Proper Financial Reporting to the City Council

**Finding Classification**

Significant Deficiency

**Finding Type**

Financial Reporting to the City Council

**Finding Title**

Timely financial reporting to the City Council

**Resolution (resolved, not resolved, partially resolved)**

Not Resolved

**Number of years finding reported**

1 (one) year

**Financial impact of finding**

Amount less than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

An adequate system of internal controls should be in place to properly report a monthly budget to actual reports for all funds and any deficit fund balances to its governing board. In addition, the Local Government Budget Act (LGBA) directs political subdivisions in the manner in which budgets should be adopted, implemented and amended.

**Condition**

During our audit and the review of the City's Council minutes for the year ended June 30, 2017, we noted that none of the City Council 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.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-003 – Proper Financial Reporting to the City Council, Continued**

**Cause**

Lack of management oversight in reporting the monthly budget-to- actual comparison reports by funds and deficit fund balances to the City Council Members.

**Effect**

The City may not be in compliance with the Local Government Budget Act.

**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 Plan**

The City will begin a process for providing monthly budget to actual statements to the Council for review. Furthermore, the City will explore the creation of a finance committee to review financial activity in more detail in FY 2018. The City's vision for the committee would be to meet every other month and report observations and recommendations to the Council.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-004 - Proper Accounting and Recording of Capital Assets

**Finding Classification**

Significant Deficiency

**Finding Type**

Fixed Asset Administration

**Finding Title**

Proper Accounting and Recording of Capital Assets

**Resolution (resolved, not resolved, partially resolved)**

Partially resolved

**Number of years finding reported**

Two (2) - 2016 and 2017

**Financial impact of finding**

Amount less than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

An adequate system of internal controls should be in place to provide reasonable assurance to safeguarding of assets against lost or unauthorized disposition and maintaining of accountability for assets.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-004 – Proper Accounting and Recording of Capital Assets, Continued**

**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 the inventory account to a master inventory listing during the fiscal year.

**Cause**

Lack of proper training of staff to ensure that capital assets are accurately reported, disposed and reconciled.

**Effect**

The City's capital assets records may be incomplete and misleading during 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 Plan**

The City is implementing practices to comply with current policy. Furthermore, the City will fully utilize the accounting system in place to automate the majority of procedures and oversight relative to this area. Finally, the City's staff responsible for management of capital asset inventory and purchasing will be trained relative to policy expectations during FY 2018.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-005 – Cash Disbursement Transactions

**Finding Classification**

Significant Deficiency

**Finding Type**

Internal Controls

**Finding Title**

Cash Disbursement Transactions

**Resolution (resolved, not resolved, partially resolved)**

Partially resolved

**Number of years finding reported**

Two (2) – 2016 and 2017

**Financial impact of finding**

Amount less than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

An adequate system of internal controls should be in place to ensure cash disbursement transactions be properly administered and supporting documentation maintained as required by the City's policies and procedures.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-005 – Cash Disbursement Transactions, Continued**

**Condition**

During our audit of the City's cash disbursements for the year ended June 30, 2017, we noted deficiencies related to functions 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.

**Cause**

Lack of the City's adherence to policies and policies as related to cash disbursement transactions.

**Effect**

The City's disbursements may result in financial statement misstatements, errors, wastes, misuses, abuses and frauds.

**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 Plan**

The items mentioned by the auditors relate to certain 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 a requisition. Going forward, an explanation will be included with the invoice when an extraordinary situation exists.

The City does understand that the recommendation is in regards to documentation practices related to purchases and will enhance record retention procedures moving forward.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-006 – Payroll Administration of Time and Attendance

**Finding Classification**

Significant Deficiency

**Finding Type**

Accounting Records Documentation

**Finding Title**

Payroll Administration of Time and Attendance

**Resolution (resolved, not resolved, partially resolved)**

Partially resolved

**Number of years finding reported**

Two (2) – 2016 and 2017

**Financial impact of finding**

Amount less than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

Proper records should be maintained at all times to provide management with accurate financial information.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-006 – Payroll Administration of Time and Attendance, Continued**

**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 were not documented with supervisor approvals, 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.

**Cause**

The City has not enforced policies and procedures to ensure that payroll and leave systems are properly maintained at all times.

**Effect**

Lack of adequate internal control relating to payroll could result in misappropriation of funds without timely detection.

**Recommendation**

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

**Management Corrective Action Plan**

The City considers these matters to be isolated in nature, but has enhanced documentation related to approval of time for all departments. Furthermore, the payment of third quarter FY 2016 contributions related to the retirement system changing contribution rates and led to payments being re-processed. The original payments made were timely, but required modification. The City has implemented procedures to address this matter moving forward.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-007 – Accounting for Dedicated Funds

**Finding Classification**

Significant Deficiency

**Finding Type**

Internal Controls

**Finding Title**

Accounting for Dedicated Funds

**Resolution (resolved, not resolved, partially resolved)**

Not Resolved

**Number of years finding reported**

Two (2) - 2016 and 2017

**Financial impact of finding**

Amount greater than \$150,000

**Resolution is with or without cause**

The resolution of this finding is without cause

**Criteria**

**Half Cent Special Tax Fund (Sales and Use Tax)** - City Ordinance 2014-8 dedicates (1/2 percent) sales and use tax based on the following percentages:

- Police – 65 percent of the proceeds of the tax up to the first \$600,000 and 50 percent of amount over \$600,000 -- for salaries for police officers and other public safety personnel, and for the acquisition of public safety equipment; and
- Firemen - 35 percent of the proceeds of the tax up to the first \$600,000 and 50 percent of amount over \$600,000 -- for salaries for fire fighters and other public safety personnel, and for the acquisition of public safety equipment.

The City properly accounted for revenues and expenditures for these two (2) categories during each fiscal year, however at year-end the funds are closed into a single fund balance account. Therefore, at June 30, 2017, the fund balance totals \$633,393. Management did not determine how much of the fund balance is represented for each of the two (2) categories for which the sales and use tax was assessed.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-007 – Accounting of Dedicated Funds, Continued**

**Criteria, Continued:**

**Street Maintenance/Construction Fund (Sales and Use Tax)** - The Metropolitan Council of the Parish of East Baton Rouge and City of Baton Rouge ordinance 13526 dedicates (1/2 percent) sales and use tax based on the following percentages:

- 70 percent of the proceeds of the tax – for widening of existing public roads and streets, and/or the construction of new public roads and streets;
- 27 percent of the proceeds of the tax – for the repair and improvement of public roads and streets; and
- 3 percent of the proceeds of the tax -- for road beautification projects, including landscaping and sidewalks and the maintenance thereof.

The City properly accounted for revenues and expenditures for these three (3) categories during each fiscal year, however at year-end the funds are closed into a single fund balance account. Therefore, at June 30, 2017, the fund balance totals \$4,204,368. Management did not determine how much of the fund balance is represented for each of the three (3) categories for which the sales and use tax was assessed.

**Condition:**

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

**Cause:**

City management may have been unaware of their legal obligation to clearly account for dedicated funds.

**Effect:**

The City may not be in compliance with Local and City ordinance.

**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 Plan:**

The City will perform an historical review of fund balance accumulation and make a journal entry to segregate these two sources of dedicated activity. The City has expended funds properly but acknowledges that this is a financial reporting item that requires accounting attention.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2017-008 – Consistency in Accounting Practice/ Maintenance

**Finding Classification**

Significant Deficiency

**Finding Type**

Accounting Records Documentation

**Finding Title**

Consistency in Accounting Practice/Maintenance

**Resolution (resolved, not resolved, partially resolved)**

Partially Resolved

**Number of years finding reported**

One (1) – 2017

**Financial impact of finding**

Amount greater than \$150,000

**Resolution is with or without course**

The resolution of this finding is without cause

**Criteria**

Management of the City is responsible for the proper documentation and implementation of policies and procedures to ensure the completeness, validity and accuracy of financial reporting.

**CITY OF BAKER, LOUISIANA**  
**Schedule of Findings and Questioned Costs, Continued**  
**for the Year Ended June 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2017-008 – Consistency in Accounting Practice/ Maintenance, Continued**

**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. The City should ensure that accounting practices recently implemented are maintained prospectively so that auditable records continue to be maintained.

**Cause:**

The primary contributory factor for this situation was partly due to employee turnover in Finance department and the way financial statements were prepared.

**Effect:**

Delay in timely completion of year end audit.

**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 Plan:**

The City understands that this recommendation relates to exerting a consistent accounting effort to maintain records as prepared for the 2017 audit. The auditor's concern relates to continuing this effort prospectively. The City has committed resources and energy to maintain accounting records appropriately and to analyze all policies and procedures for effectiveness and/or needed adaptation. It will continue this effort in 2018 and subsequent years.

**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, 2017**

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**Section II - Financial Statement Findings**

**2016-01 Cemetery Fund Accounting Records**

**Condition**

The City has established the trust for pre-need sales in accordance with the statutes and routinely deposits seventy percent of the proceeds as required by law. However, the detailed accounting records of the deposits within the trust is not maintained and reconciled by the City. Additionally, the accounting records of the City's inventory of unsold lots and crypts and various merchandise (prior interments, markers, and vaults) payable, is decentralized and is not reconciled to the Cemetery's fund's general ledger.

**Recommendation**

The City should construct and maintain detailed accounting records of each deposit into the pre-need trust account and should create accounting sub-ledgers for inventory and merchandise payable that can be reconciled to the general ledger.

**Management Corrective Action Implemented**

The Finance Director has made the 70 percent transfer to the trust account at year end. Reconciliation of the general ledger and transferring 70 percent of pre-need to the trust account will happen monthly. Financed sales will be reconciled monthly.

**Disposition:**

Resolved.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-02 Accounting Policy for Pre-need Cemetery Sales**

**Condition**

The City sells cemetery products and services in advance of the time that the services and products are needed (pre-need) and accounts for the transactions of the cemetery within its Cemetery Enterprise Fund. The City recognizes revenue from the sales of pre-need products and services at the time the purchaser pays for the products or services rather than when the product or service is provided.

**Recommendation**

The City should amend its practice of revenue recognition so that such revenue is recognized at the time the products and services are delivered.

**Management Corrective Action Implemented**

The City has changed the accounting policy for recognizing pre-need sales revenue. The City will not recognize revenue until the service/product is delivered, therefore the revenue will be deferred. On June 26, 2017, Mary Sue Stages directed all pre-need sales revenues to deferred revenue. This split is now automatic in the New World software. At the end of the month the Finance Director can now see the split that is needed to transfer to the trust account.

**Disposition:**

Resolved.

**2016-03 Records of Property, Plant, and Equipment**

**Condition**

Based on information provided, the City performed an annual physical inventory of its capital assets for the year ended June 30, 2016. Our observation disclosed the following:

- The City does not have formal procedures for performing a physical inventory.
- The capital asset listing does not always provide specific description of items such as, make, model, serial numbers, location, etc.
- The capital asset listing does not provide the funding source
- Some items were listed cumulative, rather than individually. Many of the individual items would not have met the capitalization threshold.
- The City does not reconcile its physical inventory to the inventory master listing.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-03 Records of Property, Plant, and Equipment**

- The City failed to record land donated during prior years (\$36,500), one (1) vehicle purchased by the City (\$46,929), equipment purchased for Utility Department (\$45,368), relocation related to the water system (\$54,588), construction of an evidence room in the police department building (\$36,750), and four (4) vehicles purchased by the Marshal Fund (\$154,002).

**Recommendation**

The City should implement written formal procedures that include specific tasks to be performed by all individuals involved in the physical inventory process. In addition, the procedures should consist of instructions and forms to be utilized by all individuals and departments involved in the physical inventory process as well as, include the updating and reconciliations to the master listing, to ensure complete and accurate financial reporting.

**Management Corrective Action Implemented**

The City has prepared the physical inventory count in June 2016 per the policy. The City will identify assets individually. Two (2) logs will be kept identifying what items need to be capitalized. The City will follow the policy of reconciling inventory to the mast inventory list. The City has a goal of implementing Fixed Asset management in the New World Software for FY18.

**Disposition:**

Partially resolved. See finding #2017-004

**2016-04 Local Government Budget Act (LGBA)**

**Condition**

Our review of the Budgetary Comparison Schedules for the year ended June 30, 2016, included in the City's annual financial statements showed the following:

- General Fund – Total expenditures were budgeted at \$8,807,356, however actual expenditures totaled \$8,247,378, for a difference of \$559,978 (6.79%).
- General Fund – The City did not budget any funds as "other financing sources" (operating transfer in), however actual operating transfers in totaled \$113,355.
- General Fund - The City did not budget an amount as beginning fund balance, reported at \$686,208, per general ledger. Prior year audit reported the ending fund balance at \$526,286.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-04 Local Government Budget Act (LGBA), Continued**

- Half Cent Special Tax – Total expenditures were budgeted at \$777,500, however actual expenditures totaled \$634,214, for a difference of \$143,286 (22.59%).
- Half Cent Special Tax – The City did not budget an amount as beginning fund balance, reported at \$7,038, per general ledger. Prior year audit reported the ending fund balance at (\$54,831).
- Street Maintenance/Construction Fund – Total expenditures were budgeted at \$86,770, however actual expenditures totaled \$19,703, for a difference of \$67,067 (340.39%).
- Street Maintenance/Construction Fund – The City did not budget an amount as beginning fund balance, reported at \$5,525,697.

In addition, because management of the City was not aware of the existence of the Narcotics Fund, this fund was not budgeted as a special revenue fund for the year ended June 30, 2016.

**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.

**Management Corrective Action Implemented**

Management will review budget to actual reports monthly and request Council approval for any required amendments on a consistent basis. FY 2017 Amendments were voted on by the Council on June 20, 2017.

**Disposition:**

Partially Resolved. See Finding #2017-003

**2016-05 Collections and Deposits**

**Condition**

There is a lack of controls over collections and deposits. During the audit period, we noted the following exceptions related to the collection and deposit of cash receipts:

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-05 Collections and Deposits, Continued**

1. Sales Tax Revenue – The City fail to record the City of Baton Rouge – Parish of East Baton Rouge collection fee of \$28,813, \$7,192, and \$5,390, respectively in the General, Half Cent Special Tax, and Street Maintenance/Construction funds as both revenue and expenditures. In addition, the City erroneously recorded penalty and interest in the amount of \$14,869 as sales tax revenue, instead of as interest earned. Based on our audit procedures we determined net sales tax revenues recorded differ from remitted amounts per settlements sheets as follows:

• General Fund	\$97,588 (overstated)
• Half Cent Special Tax	\$243,817 (understated)
• Street Maintenance/Construction	\$214,993 (understated)

2. Motor Vehicle Sales Tax Revenue – Sales tax revenues and accounts receivables are overstated by \$216,297 and \$27,347, respectively.
3. Significant differences exist in the allocation of sale tax revenues as required by ordinances to the Half Cent Special Tax and Street Maintenance/Construction Fund and sales tax revenues allocated to the Half Cent Special Tax and Street Maintenance/Construction Fund.

In addition, maintenance of files containing supporting documentation related to cash receipts need improvement.

**Recommendation**

We recommend that the City implement written policies and procedures to ensure adequate controls over cash collections and deposits.

**Management Corrective Action Implemented**

The City staff has accurately reported deposits and revenue for FY17. Personnel have been trained and are recording revenues accurately. A Finance Calendar has been created that includes all pertinent dates for receiving and expending funds so that no wires, and any others, will be missed. Information for posting is being maintained by revenue type for reconciliation purposes at the end of each month and for year-end support to be provided to the auditors.

**Disposition:**

Resolved.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-06 Questionable Recordation of Transactions and Audit Procedures Unable to Perform**

**Condition**

City accounting staff have failed to provide requested audit data and in other instances we question the appropriateness, necessary, accuracy, and completeness of recording of numerous transactions. During the audit, we noted the following instances:

1. Requested detailed listing of accounts receivable by fund. Such was not provided for numerous accounts receivable, therefore we were not able to perform certain audit procedures as required by generally accepted auditing standards.
2. Requested detailed listing of accounts payable by fund. Such was not provided for numerous accounts payable, therefore we were not able to perform certain audit procedures as required by generally accepted auditing standards.
3. Request explanation for variances noted between fiscal years ended June 30, 2015 and 2016, for numerous revenue accounts. We never received the explanation, therefore we were unable to complete our analytical review procedures
4. During the audit year, the City transferred \$5,681 and \$107,674 from the Street Maintenance/Construction Fund and Grant Fund respectively to the General Fund. Such transfers were not budgeted and management was unable to provide adequate explanation, authorization, or prior approval for such transfer. In addition, funds were not available in the Grant Fund to fulfill the transfer and at June 30, 2016, the fund balance was a deficit of \$255,925.
5. Utility Fund Compensated Absences – The accounting staff recorded an entry in the amount of \$124,822 that was to correct prior year unused vacation leave liability. The entry increased the Utility Fund's net position by the stated amount. However, the amount recorded at June 30, 2015 was correct and the entry recorded by the accounting staff was unnecessary and caused the financial statement of the Utility Fund to be misstated.
6. Utility Fund Allowance for Bad Debt – The City adopted an allowance for bad debt policy for Utility Fund receivables during the year ended June 30, 2016. However, during the City's process of closing its accounting records for the year ended June 30, 2016 and subsequent to the implementation of the new policy, City accounting staff recorded an entry to reduce the allowance for bad debt account and increased the fund's net position by \$585,339. Instead of applying the new policy, the accounting staff calculated the allowance for bad debt to be 15% of one account that totaled \$516,006 at June 30, 2016. However, the calculation disregarded three (3) other accounts totaling \$621,395.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-06 Questionable Recordation of Transactions and Audit Procedures Unable to Perform,  
Continued**

Normally, bad debt expense is reported in the income statement as an operating expense. Thus, the allowance for bad debt are matched with sales, because the expense is recorded in the same year the sales are made. The entry made by the accounting staff was to write-off uncollectible accounts. A write-off affects only balance sheets accounts. Therefore, the entry increasing net position of the Utility Fund is questionable.

7. Interfund Balances Written-off to Fund Balances – During the year ended June 30, 2016, the accounting staff wrote-off interfund balances that had the net effect on fund balances as follows:

	Fund Balance Increase (Decrease)
General Fund	\$ 2,747,615
Street Maintenance/Construction	(2,523,665)
Accrued Absence Fund	162
Grant Fund	(127,962)
Project Acquisition Fund	104,246

The amounts written-off to fund balance represent monies owed between funds over the years. Such accounts were to be cleared by transferring cash between funds and not by writing-off to fund balance accounts. The entries recorded by the accounting staff are totally inappropriate and incorrect, and therefore the funds noted financial statements are misstated.

8. Interfund balances are out-of-balance by \$200,396. During the earlier stage of our audit, we brought to accounting staff's attention that the interfund accounts were out-of-balance by \$127,962. However, upon research, the accounting staff made numerous entries supposedly to correct errors. Therefore, the end results were to write-off interfund balances to fund balance (previously noted) and interfund balances continue to be out-of-balance.
9. Court Fines and Fees – The City allocates court fines and fees between the General Fund and Traffic Division Fund (Special Revenue Fund) and five (5) separate accounts in no consistence manner. In addition, management was unable to provide us with an ordinance or other authorizing document supporting the allocation. In addition, the City did not record court fines and fees in the amount of \$16,934 due as of June 30, 2016, as accounts receivable.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-06 Questionable Recordation of Transactions and Audit Procedures Unable to Perform,  
Continued**

10. Cemetery Fund - Very late in the audit process, the accounting staff recorded material entries that increased several liability accounts and decreased net position by \$637,762. Due to the timing of the recording of these transaction, we were not able to perform appropriate audit procedures.

In reviewing, many of the transactions, we did not find where upper management had reviewed or approved such transactions.

**Recommendation**

The City should provide its accounting staff with the necessary training to ensure that accounting transactions are recorded in an accurate, complete, and timely manner to facilitate the efficient preparation of monthly and year-end financial statements. In addition, we recommend that due to the materiality of many of these transactions, such should have been presented to the Council to fulfill their fiduciary responsibilities.

**Management Corrective Action Implemented**

City Management and Faulk & Winkler, external accountants, have closed out the year prior to the audit. Mary Sue Stages implemented a year end closing checklist to City staff.

**Disposition:**

Resolved. Similar situation did not occur in FY 2017.

**2016-07 Cash Disbursement Transactions**

**Condition**

During the audit, we found the following deficiencies related to the procurement and cash disbursement functions:

- In most instances, we were unable to determine the individual acknowledging the receipt of the goods or services.
- Numerous individuals can issue purchase orders and affix the Purchasing Director's signature through the accounting system.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-07 Cash Disbursement Transactions, Continued**

Our detail test of 74 disbursements disclosed the following discrepancies:

- 22 disbursements totaling \$270,435.04 were paid from supporting documentation consisting of copies of invoices or documents that did not support the disbursements in accordance with requirements and guidelines set by City or state policies.
- 20 disbursements totaling \$129,937.32 had no purchase order or the purchase order was dated after the invoice date.
- 8 disbursements totaling \$45,827.30 the purchase order was cancelled with the City's stamp instead of the invoice to avoid duplication of payment.
- 5 disbursements totaling \$50,738.49 were paid without proper approval as set by the City's policies and procedures.
- 5 disbursements totaling \$36,676.88 were not paid timely and were 30-90 days past due when paid.
- A payment totaling \$52,470.00 was expensed entirely in month of payment, however, based on the supporting documentation eleven (11) months of the payment should have been deferred to the fiscal year ending June 30, 2017.
- 2 disbursements totaling \$6,214.34 was paid for terminal leave with only support being the payroll register with no communication from Director of Human Resources to indicate authorization of such payments.
- In addition, we found that purchase orders are not maintained in a controlled environment. The use of purchase order does not appear to be restricted and, therefore, the system is open to manipulation because numerous individuals within the City have the ability to issue valid purchase orders for the purchase of goods or services.

**Recommendation**

We recommend that the City adopt written policies and procedures related to procurement and cash disbursements that will require the use of check voucher, purchase requisitions, purchase orders, receiving reports, copies of checks, reference to bids or quotes, etc. which will ensure the prior authorization and approval of disbursements. Such policies and procedures should facilitate that necessary approvals, adequate supporting documentation, proper maintenance of files, and timely payment and recording of transactions are present with all disbursements. In addition, we recommend that the procurement process be centralized to ensure adequate controls over the purchase of goods or services.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-07 Cash Disbursement Transactions, Continued**

**Management Corrective Action Implemented**

The Purchase Order (PO) system has been explained at several department head meetings held monthly to reiterate those areas that are deficient or cause issues when processing for payment. Changes in the processes in Finance have been changed to make the office more efficient and to provide additional training for those persons completing POs so that there will be no delays once the goods/services are received/rendered and the invoice received. Overtime was approved and a huge effort was made over the summer/fall to bring all payables current. Checks are now printed each Tuesday. Policies and procedures are currently being written to identify the changes and will be periodically reviewed.

**Disposition:**

Partially resolved. See Finding # 2017-005.

**City Marshal Fund**

**Condition**

We examined fifty-two cash disbursement transactions during the audit period totaling \$229,255.76, and identified the following instances of improper payments and/or payments made with insufficient documentation to substantiate a business purpose, reasonableness, or necessity for the disbursement:

- Twenty-four of the transactions tested were not supported by an original invoice but by a copy of the invoice.
- Forty-two of the transactions tested did not have documentation to support they had been authorized and approved by an appropriate level of management.
- Five of the transactions tested totaling \$ 9,859.56 had no supporting documentation available.
- Disbursements totaling \$36,750 for the Police Department's new Evidence Room were not made in accordance with contract. According to the contract, one half of the total contract amount was to be paid as a down payment with final payment at completion. Four payments were made to contractor, \$18,375 made as the initial down payment, advance payments of \$8,000 and \$8,375 were paid prior to completion of the Evidence Room and \$2,000 paid at end of contract.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-07 Cash Disbursement Transactions, Continued**

- The Retired Chief of Police for the City was paid \$240 in per diem to attend the Louisiana Association of Chief of Police Conference (LACP) held July 13 – 15, 2016, when he no longer was an employee of the City.
- The Secretary to the Retired Chief of Police who resigned on July 29, 2016, was allowed to purchase her office laptop for \$899. The laptop had been purchased apparently for office use on July 30, 2015 in the amount of \$899, however we were unable to determine whether the laptop was recorded in the City's inventory.

**Recommendation**

The Marshal should develop and implement policies and procedures to ensure that all payments are appropriate, supported by documents to show approval by an appropriate level of management, and all disbursements serve a public purpose.

**Management Corrective Action Implemented**

Mary Sue Stages, Finance Director, has met with several representatives from the police department to discuss the issues/concerns regarding both the Marshal's account and the evidence room. They are currently in the process of reviewing and amending as necessary the Policies and Procedures (P&Ps) regarding both. These changes are being based on current issues cited herein and procedures followed by other police departments and staffing needs.

**Disposition:**

Partially resolved. See Finding #2017-005.

**Narcotics Fund**

**Condition**

We examined all twenty-seven (27) cash disbursement transactions during the audit period totaling \$14,459, and identified the following instances of improper payments and/or payments made with insufficient documentation to substantiate a business purpose, reasonableness, or necessity for the disbursement:

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-07 Cash Disbursement Transactions, Continued**

- In most instances, we were unable to determine whether prior authorization was obtained before the purchase and the individual acknowledging receipt of the goods or services.
- Travel reimbursements are inconsistent, in some instances, reimbursement are based on a per diem rate and in other instances, reimburse is actual expenses supported by receipts.
- 4 disbursements totaling \$227, credit card receipts were use as supporting documentation.
- 1 disbursement, represented a duplicate reimbursement of \$15 and alcohol purchase of \$13.

Our examination also disclosed a disbursement in the amount of \$3,500 that was not supported in a manner that the business purpose could be readily determined. After further inquiry, it appears that the disbursement to a law firm was to return funds to a client that were seized, but never submitted and/or deposited in the Baker Police Department Asset Forfeiture Account. A letter from the law firm dated May 3, 2016, indicated that \$5,200 was seized from his client, however only \$573 was deposited into the Asset Forfeiture Account and subsequently return to the client's law firm. The letter also, requested that the Baker Police Department remit the additional sum of \$4,627. However, the two parties later entered into a settlement-agreement in the amount of \$3,500 and the Baker Police Department issued a check for said amount on May 13, 2016.

**Recommendation**

The Marshal should develop and implement policies and procedures to ensure that all payments are appropriate, are supported by documents to show approval by an appropriate level of management, guidelines and limitations for meals not involving travel, and all disbursements serve a public purpose.

**Management Corrective Action Implemented**

Same as current year status immediately proceeding for "City Marshal Fund." Additionally, research was done regarding unclaimed evidence following the disposition of the case so that proper disposition can be made.

**Disposition:**

Partially resolved. See Finding #2017-005.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-08 Payroll and Leave Administration**

**Condition**

City management has not implemented policies and procedures to ensure that payroll and leave are properly administrated and supporting documentation is maintained. In our review of sixty time and attendance reports we noted the following:

- 18 of 60 time and attendance sheets reported hours that did not agree to hours worked per the payroll register.
- 26 of 60 time and attendance reports were not approved by the employee. Several of the departments utilize their on time and attendance forms for documenting hours worked by employees and some departments require employees to sign manual T & A Reports as well as certify time in the New World System (NWS). However, the NWS does not maintain an audit trail of employee's certification of their time and if they did not certify on the manual time and attendance report there is no documentation to support the employee's approval of hours worked.
- 24 of 60 time and attendance reports were not approved by the employee's supervisor. Several of the departments utilize their on time and attendance forms for documenting hours worked by employees and some departments require supervisors to sign manual T & A Reports as well as certify time in the New World System (NWS). However, the NWS does not maintain an audit trail of supervisor certification of employee's time and if they did not certify on the manual time and attendance report there is no documentation to support the supervisor's approval of hours worked by the employee.
- 23 of 60 time and attendance reports documentation was not available to show leave taken by the employee was approved by the supervisor.
- 13 of 60 time and attendance reports with overtime paid did not have documentation proving that overtime was approved by the supervisor prior to the employee working the overtime.
- Overpayment totaling \$62,324, were made to the Internal Revenue Service when submitting quarterly payroll withholdings for quarters ending December 2015 and June 2016.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-08 Payroll and Leave Administration, Continued**

**Recommendation**

Payroll and leave should be properly administered and supporting documentation maintained.

**Management Corrective Action Implemented**

In February 2017, the City contracted payroll to an independent payroll professional. New procedures were implemented to insure all time is approved and documented by both employee and management. Timesheets were developed and made consistent across departments. No payroll is processed, including subcontractors, without the proper signatures evidencing approval.

**Disposition:**

Partially resolved. See Finding # 2017-006.

**2016-09 Accounting for Dedicated Funds**

**Condition**

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

**Criteria**

**Half Cent Special Tax Fund (Sales and Use Tax)** - City Ordinance 2014-8 dedicates (1/2%) sales and use tax based on the following percentages:

- Police - 65% of the proceeds of the tax up to the first \$600,000 and 50% of amount over \$600,000 - for salaries for police officers and other public safety personnel and for the acquisition of public safety equipment;
- Firemen - 35% of the proceeds of the tax up to the first \$600,000 and 50% of amount over \$600,000 – for salaries for fire fighters and other public safety personnel and for the acquisition of public safety equipment.

The City properly accounted for revenues and expenditures for these two categories during each fiscal year, however at year-end the funds are closed into a single fund balance account. Therefore, at June 30, 2016, the fund balance deficit totals (\$14,988). Management is unable to determine how much of the fund balance is represented for each of the two categories for which the sales and use tax was assessed.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-09 Accounting for Dedicated Funds, Continued**

**Street Maintenance/Construction Fund (Sales and Use Tax)** - The Metropolitan Council of the Parish of East Baton Rouge and City of Baton Rouge ordinance 13526 dedicates (1/2%) sales and use tax based on the following percentages:

- 70% of the proceeds of the tax – for widening of existing public roads and streets, and/or the construction of new public roads and streets;
- 27% of the proceeds of the tax – for the repair and improvement of public roads and streets;
- 3% of the proceeds of the tax – for road beautification projects, including landscaping and sidewalks and the maintenance thereof.

The City properly accounted for revenues and expenditures for these three categories during each fiscal year, however at year-end the funds are closed into a single fund balance account. Therefore, at June 30, 2016, the fund balance totals \$6,064,838. Management is unable to determine how much of the fund balance is represented for each of the three categories for which the sales and use tax was assessed.

**Management Corrective Action Implemented**

Administration is currently reviewing the fund structure and making necessary changes to comply with governmental GAAP and to create a more cohesive and efficient reporting system – some funds have been closed as a result and others are anticipated. Department heads have been notified of the information that is required to be forwarded to Finance and proper procedures are currently being followed to ensure communication among departments. Procedures mentioned in previous findings herein are providing an effective means of monthly reconciliations to ensure proper coding/segregating. Monthly financial reviews are allowing administration to manage revenues/expense including those that are dedicated.

**Disposition:**

Partially resolved. See Findings #2017-007

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-10 Bank Reconciliations**

**Condition**

During our test of the City's "Consolidated Cash" accounts for the year ended June 30, 2016, we noted the following unreconciled differences by month:

	Balance per Reconciliation	Balance per General Ledger	Difference
July 31, 2015	\$ 8,113,175.54	\$ 7,994,436.28	\$ 118,739.26
August 31, 2015	8,051,292.47	7,953,634.06	97,658.41
September 30, 2015	8,325,077.89	8,282,290.08	42,787.81
October 31, 2015	8,588,517.40	8,492,875.05	95,642.35
November 30, 2015	8,416,894.39	8,320,363.80	96,530.59
December 31, 2015	8,048,548.69	7,732,199.39	316,349.30
January 31, 2016	8,568,209.69	8,487,458.03	80,751.66
February 29, 2016	9,208,322.35	9,382,801.22	(174,478.87)
March 31, 2016	9,047,162.28	9,053,482.38	(6,320.10)
April 30, 2016	9,520,572.59	9,478,895.63	41,676.96
May 31, 2016	9,803,310.20	9,816,720.81	(13,410.61)
June 30, 2016	8,395,633.70	8,395,633.70	-

At June 30, 2016, the City wrote-off \$159,118.73 to the General Fund's fund balance account to ensure that the general ledger bank balance is reconcilable to the bank balance, thereby eliminating any reconciling differences.

We were unable to determine whether the bank reconciliations were prepared timely, due to the bank reconciliations not being signed and dated by both the preparer and reviewer. In addition, our review of June 30, 2016 bank reconciliation, disclosed that at least 9 checks, totaling \$12,880.44 were listed as outstanding, but had actually cleared the bank months earlier.

**Recommendation**

We recommend that all bank accounts be reconciled and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustment can be quickly identified and corrected. In addition, at June 30, 2015, the unreconciled difference was only (\$357.52), therefore we recommend that bank reconciliations during the year ended June 30, 2016 be revisited and all differences identified, investigated, and appropriate adjusting entries made to the affected accounts.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-10 Bank Reconciliations, Continued**

**Management Corrective Action Implemented**

At this time, the City has contracted Faulk & Winkler to reconcile bank accounts monthly. Faulk & Winkler reconciled FY 2017 bank accounts at year end.

**Disposition:**

Partially resolved. See Finding #2017-002.

**2016-11 Previously Undisclosed Bank Accounts**

**Condition**

During the planning stage of our audit for the year ended June 30, 2016, we discovered five (5) bank accounts with bank balances totaling \$71,545 as of the beginning of the year within the City of Baker Police Department that had not been previously disclosed to us during our prior audit, nor to any predecessor auditors during past years.

Further research and follow-up disclosed that three (3) of the accounts totaling \$3,233 were related to non-profit organizations established to support the Baker Police Reserves. The remaining two (2) accounts, the Narcotics Account and Asset Forfeiture Account will be disclosed in the City of Baker's financial statements for the year ended June 30, 2016, as a Special Revenue Fund and a Fiduciary Fund, respectively.

**Recommendation**

We recommend that the City implement financial accounting controls that will ensure that the City's annual financial statements are complete and accurate and that all funds are properly classified, accounted for, and reported.

**Management Corrective Action Implemented**

The undisclosed bank accounts are now represented on the City's accounting books.

**Disposition:**

Resolved.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-12 Previously Undisclosed Component Units**

**Condition**

During the planning stage of our audit for the year ended June 30, 2016, we discovered two (2) non-profit organizations established to support the Baker Fire Department (Baker Volunteer Fire Department Social Club) and the Baker Police Department (Baker Police Reserves) that has not previously been disclosed to auditors. Copies of the Internal Revenue Service letter of determination disclosed that the Baker Volunteer Fire Department Social Club (Section 501(c)(4)) and Baker Police Reserves (Section 501(c)(3)) received exemptions on May 9, 1983 and June 1, 2009, respectively. The primary source of funding for the organization comes from Charitable Gaming – Bingo Operations, licensed and regulated by the Louisiana Department of Revenue, Office of Charitable Gaming.

**Recommendation**

We recommend that the City require these organizations adherence to the requirements of Ordinance No. 2008-12 and LSA-R.S. 4:716 and that the City's annual financial reports are inclusive of these component units.

**Management Corrective Action Implemented**

Volunteer Fire Department Social Club is a separate non-profit agency that was originally created before the City had a fire department with paid staff. Before the existence of charitable gaming in the City, the transactions were few and primarily to provide death benefits to the families of fallen firefighters. With the increased activity due to charitable gaming, management recorded significant purchases/transactions as donations and corresponding expenditures of the fire department.

The Baker Police Reserves account was opened to account for fundraising conducted by the reserve officers and to purchase supplies of these reserves such as firearm training and uniforms. After the City began paying for these, the activity in this account was minimal until the initiation of charitable gaming in 2008.

While volunteer fire department accounts are accounted for differently in accordance with state law, management will create policies and procedures to deal with these unique situations in order to comply with state laws.

Mary Sue Stages has created a policy and procedure for determining component units that the City will now enforce.

**Disposition:**

Resolved.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-13 Surplus of Service Weapons**

**Condition**

On June 28, 2016, the Baker City Council adopted Ordinance 2016-13 which declared and designated surplus the service weapons of four (4) retiring police officers (Chief of Police, Assistant Chief of Police, and 2 Captains) and the Mayor, indicating that the weapons may be sold at costs of depreciated value to the officers and mayor. The City deposited \$1,000 on November 7, 2016 and \$250 on December 14, 2016 as payment for the service weapons. However, management has been unable to provide us with evidence or documentation supporting the determination of fair market fair of each service weapon.

In addition, the Chief of Police declared the following weapons as surplus:

Make/Model	Serial Number
Glock Model 27	EZA817
Glock Model 42	AASX950
Glock Model 42	AATP822
Moss-Berg Model M590AI	T746387
Moss-Berg Model M590AI	T746385
Panther Arms AR15 Rifle	F149518
Core AR15 Rifle	GTOC035153

Based on our audit procedures, these weapons were not presented to the Baker City Council for adoption of an ordinance to surplus and purchase. Therefore, the Council and Mayor may not have been aware of the actions taken by the Chief of Police.

Per communication dated December 19, 2016, these weapons were purchased by the Fraternal Order of Police for the Chief of Police and Assistant Chief of Police as retirement gifts. The amount received from the Fraternal Order of Police was \$1,050. However, management has been unable to provide us with documentation supporting how fair market value was determined for each weapon. These weapons were also returned to the City on December 19, 2016.

**Recommendation**

We recommend that the City of Baker establish written policies and procedures related to the surplus of service weapons for retirees that complies with State law. In addition, the City should determine the fair market value of the officer service weapons included in Ordinance 2016-13 and collect the appropriate amount from each officer or have the weapons returned to the Baker Police Department. Also, management should request that the weapon in the possession of the Mayor be returned and refunded monies received for such transaction.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-13 Surplus of Service Weapons, Continued**

**Management Corrective Action Implemented**

The City now has a procedure to determine fair market value for each service weapon. The City has requested via certified letter that the Mayor return his service weapon. This was an isolated incident.

**Disposition:**

Resolved.

**2016-14 Surplus of Vehicle**

**Condition**

In February 2016, the retired Chief of Police requested that the City of Baker surplus the 2013 Chevrolet Silverado Crew Cab so it could be traded in on the purchase of a 2016 Patrol Chevrolet Tahoe. The request stated that this is the Tahoe, the Baker Reserves are paying \$25,000 toward. Additional documents reviewed disclosed that on June 7, 2016, the Police Department requested permission from the Louisiana Department of Revenue, Office of Charitable Gaming to expend \$25,000 from the Baker Police Reserves Charitable Gaming account to purchase a used police unit for the strict use of the Reserve Program. The request further stated that the used Tahoe belongs to the Baker City Court Marshal's Office and that a new unit of this type cost \$45,000 completely equip, lights installed, and have lettering done.

On March 22, 2016, the Baker City Council adopted Ordinance 2016-6 which declared and designated surplus the Baker Police Department's 2013 Chevrolet Silverado Crew Cab to be utilized as a trade-in on the purchase of a 2016 Patrol Chevrolet Tahoe. Per invoice dated April 14, 2016, this vehicle was used as a trade allowance in the amount of \$18,379 on the purchase of a 2016 Chevrolet Tahoe with a sales price of \$34,359, resulting in the transaction total of \$16,010.

In addition, further inquiry related to this transaction, disclosed that the 2013 Chevrolet Silverado used as a trade-in is currently registered to the retired Chief of Police who lead the Baker Police Department through retirement effective June 30, 2016.

**Recommendation**

We recommend that management and staff involved with the procurement process and disposal of capital assets become thoroughly familiar with the laws and regulations of the state of Louisiana and ensure that all future transactions follow such laws and regulations.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-14 Surplus of Vehicle, Continued**

**Management Corrective Action Implemented**

All related parties in this matter are now aware that surplus vehicles will be taken to auction per state law and regulations. This was an isolated incident.

**Disposition:**

Resolved.

**2016-15 Police Department Personnel Employed in Marshal's Office**

**Condition**

During the year ended June 30, 2016, it was determined that two police officers decided to run for political office and therefore, resigned their classified positions in the Baker Police Department and accepted unclassified positions with the Baker Marshal's Office. These personnel changes were submitted to and approved by the Baker Municipal Fire and Police Civil Service Board. However, such changes were not submitted to the Human Resources Department of the City of Baker and therefore, personnel, payroll, and accounting records were never changed to reflect these personnel actions.

In addition, we found no evidence that the Louisiana Department of Public Safety & Corrections Supplemental Pay division had been notified of the changes in classification, title, or duties. Therefore, these officers continued to receive supplemental pay as classified civil service positions under the Baker Police Department.

**Recommendation**

We recommend that the City review its existing policies and procedures to ensure the establishment and maintaining of personnel files in a central location that will be complete, accurate, and current. In addition, the City should comply with all the regulations of the Louisiana Department of Public Safety & Corrections Supplemental Pay division.

**Management Corrective Action Implemented**

A transfer was made between the two (2) funds for the salaries paid to the individuals. A schedule was created to tie back to the transfer between funds. Human Resources will now be attending the Police & Fire Civil service meetings. This will help ensure all related parties are aware of any personnel changes. P&Ps are currently being reviewed and changed accordingly in regards to all personnel activities.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-15 Police Department Personnel Employed in Marshal's Office**

**Disposition:**

Resolved.

**2016-16 Asset Forfeiture Account**

**Condition**

The City of Baker Police Department has established a separate bank account to deposit and account for seized cash. However, the Police Department has not maintained a subsidiary log to account for the initial deposits and remittances to the 19<sup>th</sup> Judicial District Attorney's Office. In addition, at June 30, 2016, the Police Department had additional seized cash on hand of \$11,397.56 contained in property envelopes dating from August 2010 to February 2015.

**Recommendation**

We recommend that the Police Department implement a subsidiary system to account for seized cash and procedures be established to ensure that reconciliations between the general ledger and the subsidiary on a consistent and timely basis. In addition, we recommend that the Police Department deposit the cash on hand immediately, unless needed as evidence in court in its present state.

**Management Corrective Action Implemented**

All seized cash is deposited into the forfeiture account. Management will create a log that ties back to the ledger for seized assets and reconcile timely, not to exceed quarterly. Additionally, research was done regarding unclaimed evidence following the disposition of the case so that proper disposition can be made.

**Disposition:**

Resolved.

**2016-17 Louisiana Audit Law**

**Condition**

The City did not submit its audit report by the statutory due date, which is six months after the agency's fiscal year end, or December 31, 2016. Due to the flood of the summer of 2016, the City requested and received an extension to submit its annual financial report no later than March 30, 2017.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**2016-17 Louisiana Audit Law, Continued**

**Recommendation**

Management needs to place emphasis on providing audit related data in a timely manner and establish financial reporting procedures that will ensure the complete, accurate, and timely recording to transactions. In addition, management should develop and adhere to year-end closing procedures.

**Management Corrective Action Implemented**

The City has an audit timeline that puts the audit in completion for November 30, 2017. The City is keeping the Council updated monthly on the current audit and the timeline. The City has contracted with Faulk & Winkler to assist in the audit and closing of the year timely.

**Disposition:**

Partially resolved. See Finding # 2017-001.

**CITY OF BAKER, LOUISIANA**  
**Status of Prior Year Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**Section III – Findings and Questioned Costs Related to Federal Awards**

Not Applicable – No Single Audit Requirement for the June 30, 2016 fiscal year.

## **EXIT CONFERENCE**

**CITY OF BAKER, LOUISIANA**  
**Audit Status/Exit Conference**  
**for the Year Ended June 30, 2017**

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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 McCullouch	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, CFE	Engagement Manager

**THE CITY OF BAKER**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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)

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**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by **the City of Baker (the City)** and the Louisiana Legislative Auditor (LLA), on the control and compliance areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs), and certain additional procedures requested by the Mayor or Council Member of **the City**, for the year ended June 30, 2017 ("fiscal period"). **The City's** management is responsible for those control and compliance areas identified in the SAUPs.

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

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**PROCEDURES AND FINDINGS**

Our procedures and findings related to the statewide agreed-upon procedures are as follows:

**Written Policies and Procedures**

1. We obtained **the City's** written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

*No exceptions were noted.*

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

*No exceptions were noted*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

2. We obtained and reviewed the Board/Finance Committee minutes for the fiscal period to determine whether:

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- b) the Board minutes referenced or included monthly budget-to-actual comparisons on **the City's** General fund and any additional funds, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*None of the Board minutes reviewed made reference to or included monthly budget-to-actual comparisons of the City's funds; however, we did observe that budget-to-actual comparisons are being provided by management to the Board in their Finance packets on a monthly basis. We noted that budget-to-actual reports budgeted for deficit spending during the fiscal period; however, there was no indication of a formal plan to eliminate the deficit.*

**Management's Response**

During FY2017, the Finance Director did not always prepare financial reports for review by the governing body- any questions or concerns that any Council member had was handled individually. A financial report has been created that includes financial data in number and graph formats that will be presented to the Council on a monthly basis going forward. It was presented in the first quarter of FY2018, and the Council provided positive feedback on the format.

The City budget current year spending in excess of revenues which is typically the results of capital improvements. However, it is not the policy of the City to budget current year deficits in excess of available fund balances. Should actual results create such a situation, the City will establish a written plan for resolution.

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

*No exceptions were noted.*

**Bank Reconciliations**

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

*No exceptions were noted.*

- 4. From the listing provided by management, we selected three of **the City's** bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- a) Bank reconciliations have been prepared;

*We noted that all bank reconciliations were prepared after fiscal year ended June 30, 2017.*

**Management's Response**

Following the resignation of the Finance Director, it was learned that the bank reconciliations had not been prepared timely. The CPA firm providing oversight as mandated by the LLA reconciled the statements through June 30, 2017 in preparation for the audit. They have continued to provide this service monthly, and the City will continue to adhere to its policy to reconcile all bank accounts on a monthly basis including a review of the Open Payment Report for appropriate disposition of items.

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

*We noted that 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 account) during our test work performed.*

**Management's Response**

For the FY2017, the bank reconciliation was reviewed by a managing partner of the CPA firm providing oversight. Going forward, procedures will be put into place to have the Mayor review the reconciliations and evidence same by initialing and dating the reconciliation report and the corresponding bank statement.

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

*We noted that the consolidated cash account reconciliation has outstanding checks greater than two (2) years bank reconciliations have reconciling items greater than six (6) months at the end of the fiscal period.*

**Management's Response**

Please see the response above at 3a. Going forward, an Open Payment Report will be reviewed each month and appropriate disposition will be made as applicable.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Cash Collections**

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

*No exceptions were noted.*

6. From the listing provided by management, we selected all of **the City's** six (6) cash collection locations and:

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

*No exceptions were noted.*

- b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, and policy manual) to determine whether **the City** has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exceptions were noted*

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - 1) Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

*We noted that for the six (6) deposits selected, one of the deposits collected was not deposited within one (1) day of receiving the funds.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Management's Response**

While it is the policy of **the City** to deposit collections daily and intact, there are sometimes circumstances that do not allow for this. For example, research may be required for receipts that are not typical or are received without proper support for its purpose. In these situations, the funds are maintained in a locked drawer with access by only the A/R Clerk or Finance Director.

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation.

*No exceptions were noted*

7. We obtained existing written documentation (e.g. policy manual, written procedure) to determine whether **the City** has a process specifically defined (identified as such by **the City**) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*No exceptions were noted*

**Disbursements – General (excluding credit card purchases or payments)**

8. We obtained **the City's** general ledger for the fiscal year ended June 30, 2017 and filtered for disbursements. We obtained management's representation that the general ledger population was complete.

*No exceptions were noted.*

9. Using the disbursement population from #11 above, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*We noted two (2) of twenty-five (25) purchases were not properly initiated using the purchase order system.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Management's Response**

The Great Flood of 2016 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 a requisition. Going forward, an explanation is included with the invoice when an extraordinary situation exists.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions were noted.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

*We noted one (1) of twenty-five (25) purchases did not include a receiving report or packing slip as indication that goods were received. We also noted one (1) of twenty-five (25) purchases had invoices with no indication of approval.*

**Management's Response**

In this one instance, there were multiple invoices included in one payment – approval was evidenced on the first one but not the second one. This was oversight as it was assumed that the evidence of approval would suffice for all invoices included in the payment. Going forward, special instructions are included on the check to indicate that there is more than one invoice requiring evidence of approval.

The receiving report indicating the receipt of goods was misplaced. However, going forward, efforts will be made to contact the vendor for a duplicate copy prior to payment authorization.

10. We reviewed **the City's** documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the person responsible for processing payments is prohibited from adding vendors to **the City's** purchasing/disbursement system.

*No exceptions were noted.*

11. We reviewed **the City's** documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

*No exceptions were noted.*

12. We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

*No exceptions were noted.*

13. We inquired **the City** if a signature stamp is used for payments, and of the individual with a signature stamp whether his signature is maintained under his control or is used only with his knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We noted that the Mayor is the only check signer who uses a signature stamp which is under his control.

*No exceptions were noted.*

**Credit Cards**

14. We obtained from management a listing of all active credit cards, including the card numbers and the names of the persons who maintained possession of the cards and we obtained management's representation that the listing is complete.

*No exceptions were noted.*

15. Using the listing prepared by management, we randomly selected four (4) of the eleven (11) cards that were used during the fiscal year and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for each card to determine whether:

- a) There is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*No exceptions were noted.*

- b) Finance charges and/or late fees were assessed on the selected statements.

*We noted that three (3) of the statements selected had finance charges and one (1) had a late fee charged for the month of February 2017.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Management's Response**

During FY2017, there was substantial turnover in the Finance Department that created a backlog of invoices. Policies and procedures were both adapted and created to address this issue going forward that has allowed the City to bring its payables current.

16. Using the monthly statements selected under #15 above, we obtained supporting documentation for all transactions for each of the four (4) cards selected.

a) We reviewed each transaction to determine whether the transaction is supported by:

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

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with **the City's** written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).

*No exceptions were noted.*

- c) For each transaction, we compared **the City's** documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Travel and Expense Reimbursement**

17. We obtained the general ledger for the year ended June 30, 2017 and filtered for travel reimbursements. We obtained management's representation that the general ledger population is complete.

*No exceptions were noted.*

18. We obtained **the City's** written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) to determine whether there are any amounts that exceed GSA rates.

*No exceptions were noted.*

19. Using the transactions from #17 above, we selected the three (3) persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three (3) travel expenses selected:

- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

*No exceptions were noted.*

- b) We determined whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

*No exceptions were noted.*

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

*No exceptions were noted.*

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- c) We compared **the City's** documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

*No exceptions were noted.*

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

*No exceptions were noted.*

**Contracts**

- 20. We obtained a listing of all contracts in effect during the fiscal period and obtained the general ledger for the year ended June 30, 2017 and filtered for contract payments. We obtained management's representation that the general ledger population is complete.

*No exceptions were noted.*

- 21. Using the listing above, we selected the five (5) contract vendors that were paid the most money during the fiscal year, including the transportation contract and excluding purchases on state contract and payments to the practitioner. We obtained the related contracts and paid invoices and:

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

*No exceptions were noted.*

- b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether **the City** complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*No exceptions were noted.*

- 2) If no, we obtained supporting contract documentation to determine whether **the City** solicited quotes as a best practice.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- c) We determined that one (1) contract was amended, and we determined that the original contract terms contemplated or provided for such an amendment.

*No exceptions were noted.*

- d) We selected the largest payment from each of the five (5) contracts, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions were noted.*

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions were noted.*

**Payroll and Personnel**

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries. We selected the five (5) highest paid employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period to determine whether those changes were approved in writing and in accordance with written policy.

*No exceptions were noted.*

23. We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee (September 15-30, 2016). Within that pay period, we randomly selected 25 employees to determine whether:

- a) All selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*No exceptions were noted.*

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

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

*We noted six (6) of twenty-five (25) employees selected whose time and attendance did not have supervisor approval, all of which were police officers.*

**Management's Response**

Timesheets are provided to the Police Chief's secretary and are entered onto one spreadsheet that is signed by the Police Chief. This instance was an oversight in which it was assumed signatures on the summary would suffice. During FY2017, dept heads were notified that no employee would be paid unless his/her timesheet was signed by both the employee and the supervisor.

- c) There is written documentation that **the City** maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

*No exceptions were noted.*

24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. We selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees. We reviewed the termination payments to determine whether they were made in strict accordance with policy and/or contract and approved by management.

*We noted that the City did not provide supporting documentation to show the approval of the Fire Chief's severance payment.*

**Management's Response**

The Fire Chief was paid for unused leave upon retirement – there was not a severance payment. Going forward, HR has created an exit interview form that must be completed prior to payment of any leave, etc. This will require the signature of the employee and HR Director and will serve as authorization for Finance to release funds as necessary.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*We noted that July, August, and September 2016 retirement contributions were fully paid after the required deadlines.*

**Management's Response**

This incident occurred because the contribution rate for MPERS was not properly updated at 7/1/2016. MPERS returned the timely payments in 9/2016 at which time **the City** remitted payment based on the increased rate. Finance has created a tickler calendar – review and update for contribution rates of all retirement systems in which employees participate was added to be done in May of each year for the upcoming fiscal year.

**Ethics**

26. Using the twenty-five (25) randomly selected employees from procedure #26 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management to determine whether **the City** maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

*No exceptions were noted.*

27. We inquired of management whether any alleged ethics violations were reported to **the City** during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with **the City's** ethics policy.

*No alleged ethics violations were reported to the City during the fiscal period.*

**Debt Service**

28. If debt was issued during the fiscal period, we obtained supporting documentation from **the City** to determine whether State Bond Commission approval was obtained.

*This procedure is not applicable as the City had no debt issued during the fiscal period.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*No exceptions were noted.*

30. If **the City** had tax mileages relating to debt service, we obtained supporting documentation to determine whether millage collections exceeded debt service payments by more than 10% during the fiscal period.

*No exceptions were noted.*

**Other**

31. We inquired of management whether **the City** had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether **the City** reported the misappropriation to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

*No misappropriations of public funds or assets were reported during the period.*

32. We observed **the City's** premises and website to determine whether **the City** posted the notice required by R.S. 24:523.1.

*No exceptions were noted.*

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

*No exceptions were identified regarding management's representations in the procedures above.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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We were not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion or conclusion on management's assertions, respectively, on that control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

January 11, 2018



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## INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

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

Management of City of Baker (the City) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purposes 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. We previously reported on the City's internal control in our report dated January 11, 2018. This letter does not affect our report dated January 11, 2018 on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City management, and we will be pleased to discuss these comments in further detail at your convenience. Our comments are summarized as follows:

To the Honorable Mayor Darnell Waites,  
and Members of the City Council  
City of Baker, Louisiana – Page 2

**ML 2017-001 Collections and Deposits**

**Condition**

During our audit of the City's cash collection and deposits, we noted that for the six (6) deposits selected, one (1) of the deposits collected was not deposited within one (1) day of receiving the funds.

**Recommendation**

The City's management needs to strengthen and enforce controls over cash collections and deposits to ensure that collections and deposits are made accurately and timely and adequate supporting documentation is maintained.

**Management Corrective Action Plan:**

While it is the policy of the City to deposit collections daily and intact, there are sometimes circumstances that do not allow for this. For example, research may be required for receipts that are not typical or are received without proper support for its purpose. In this situation, the funds are maintained in a locked drawer with access by only the Account Receivable Clerk or Finance Director.

We appreciate your recommendation and will further review our policies and procedures for adequacy in order to strengthen controls over cash collections and deposits.

**ML 2017-002 Internal Financial Reporting (Repeat)**

**Condition**

Monthly financial statements serve as tools that allow management to better evaluate the financial position, results of operations, and cash flow of the City so that well informed business decisions can be made.

**Recommendation**

We strongly recommend that the City perform all necessary accounting procedures on a monthly basis and monthly financial statements be produced and assessed by management.

To the Honorable Mayor Darnell Waites,  
and Members of the City Council  
City of Baker, Louisiana – Page 3

**Management Corrective Action Plan:**

The City has developed processes for performing reconciliations and other financial activities on a monthly and/or quarterly basis that is continuously being updated to ensure completeness. Training has and will continue to be provided to personnel on daily tasks/responsibilities and best practices.

The City will begin a process for providing monthly budget to actual statements to the Council for review. Additionally, certain management reports will be provided to the Mayor so that he will have timely information in which to base sound business decisions.

We understand the importance of timely evaluation of financial transactions and reporting, and will be cognizant of your suggestions as we move forward.

**STATUS OF PRIOR YEAR COMMENTS**

	<u>Resolved</u>	<u>Unresolved</u>
ML 2016-01 Internal Financial Reporting		X-Repeated 2017-002
ML 2016-02 Number of Accounting Funds	X	
ML 2016-03 Allowance for Doubtful Accounts Receivable	X	
ML 2016-04 Expand the Chart of Accounts	X	
ML 2016-05 Year-end Closing Procedures	X	
ML 2016-06 Reconciling Inventory to General Ledger	X	
ML 2016-07 Journal Entry Authorization and Support	X	

This report is intended solely for the information and use of the management, members of the Council, the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specific parties. However, the auditors will revisit these above areas in the next audit to review that the above measures are implemented and are being followed. 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

January 11, 2018