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**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

Prepared by:

Fiscal Office with Assistance from  
Contract Accountants

**CITY OF BAKER, LOUISIANA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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



# *City of Baker*

## DEPARTMENT OF FINANCE

### LETTER OF TRANSMITTAL

January 5, 2021

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

The Annual Financial Report, hereinafter referred to as the AFR, for the City of Baker, LA for the fiscal year ended June 30, 2020, is submitted herein in accordance with La R.S. 24:518 requiring publication of a complete set of audited financial statements.

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

Bruno & Tervalon LLP, CPAs have issued an unmodified opinion on the City of Baker, LA's financial statements for the year ended June 30, 2020. Their independent auditor's report is located at the front of the financial section of this report.

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

#### ***The Reporting Entity***

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

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

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

The purpose of the municipality is to promote the general welfare and the safety, health, peace, good order, comfort, convenience and morals of its inhabitants. To this regard, the City provides a full range of services, including (1) police and fire protection, (2) water, gas and sewer distribution services, (3) refuse collection; (4) building inspections, (5) licenses and permits, (6) construction and maintenance of streets and other infrastructure, (7) economic development, (8) full-service burials and (9) community, 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 major universities and two community colleges. It is close enough to hear the tigers roar at the Greater Baton Rouge Zoo and houses acres of other parks for golf, tennis and other sporting events or just enjoying the green space. Its walking paths include state-of-the-art outdoor exercise equipment – the Energi Total Body Fitness and the Life Trails Advanced Wellness System. These were developed to deliver a synergistic workout for ages 13 and up as well as provide a tailored program for older adults to perform daily

tasks easily and independently. Underway is a city-wide bike path to further exercise and community opportunities.

The unemployment rate for its citizens increased from 4.2% in the prior year to 10% at the close of the current year, which was slightly below that of the state's rate. This spike can be attributed to the COVID-19 pandemic whereby individuals with reduced or terminated work hours can request unemployment benefits. Prior to the pandemic, the rate was 4.5%. The crime rate continues to be one of the lowest of all municipalities in Louisiana and the safest in East Baton Rouge Parish. Median household incomes within the City are consistent with those of the state as a whole. Home ownership is afforded to approximately 67.4% of the population. 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***

The City continues to focus on its master plan offering a long-term vision for economic growth and community development. During this past year, the economic development district along the Plank Road corridor completed establishment of its by-laws and other start-up requirements to begin activities for economic growth and development on the eastern side of the City. Areas have been identified for annexation to expand the City's boundaries to stimulate business and residential interests. Traffic congestion is oftentimes one of the most significant concerns for residential and commercial growth which was one reason that the Park-&-Ride was initiated in conjunction with the Capital Area Transit System to encourage commuters to carpool and/or utilize the Parish's bus system. The City's financial responsibility towards this partnership was nearly 95% met with the purchase of land on Lavey Lane to be used as the site for this endeavor.

Another major component of the master plan involves the flow of water throughout the City to avoid flooding that impacts the safety of persons and property. The City was granted more than \$5 million in federal funding to mitigate the hazards associated with flooding. Projects were started in the prior year including the installation of emergency generators at lift stations. During this year, three of the drainage projects were initiated with requests for qualifications and proposals including Bozeman, Brushy Bayou and North Canals.

With the near completion of the 2019 Street Rehabilitation Program, management worked with its engineers to develop the 2020 Program. This plan considers the most effective use of sales tax funds dedicated for maintaining and constructing streets throughout the City.

The City's main source of revenues is sales and use tax making up 54% of governmental fund revenues. The second most single significant revenue is garbage collection at 10%. Despite the financial challenges presented by the COVID-19 pandemic during the second half of the year, these

two material revenue sources increased. Among the top five revenues, only the City's franchise fees decreased. Franchise fees are realized through franchise agreements for services provided to residents and businesses within the City's boundaries. The two highest paying service providers are Entergy and Demco which can reasonably explain the nearly 26% decrease as customers were allowed to defer payments as a result of the pandemic thereby deferring subsequent fees paid to the City.

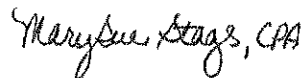
#### *Acknowledgments*

Appreciation is given to all City employees and contractors for their acceptance of and adaptation to the changes 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. The cooperation and diligence of the Finance Department staff – Ashley Batts, Ashley Lathan, Judy Davezac and Magen Bailey – in providing information to support the financial and non-financial data required to complete this report is greatly appreciated.

The Council is credited with their support of the highest standards of professionalism in the management of the City. Mayor Waites is commended for his dedication to the success of all City initiatives and utilization of the City's resources in the most effective manner. His vision and focus on the Master Plan keep the City of Baker progressing into a prosperous and desired destination.

Acknowledgement is also given to our auditors – Bruno & Tervalon, LLP, CPAs – for the professional and diligent way they conducted their audit.

Respectfully Submitted,



Mary Sue Stages, CPA  
Finance Director



**CITY OF BAKER, LOUISIANA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

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Elected Officials

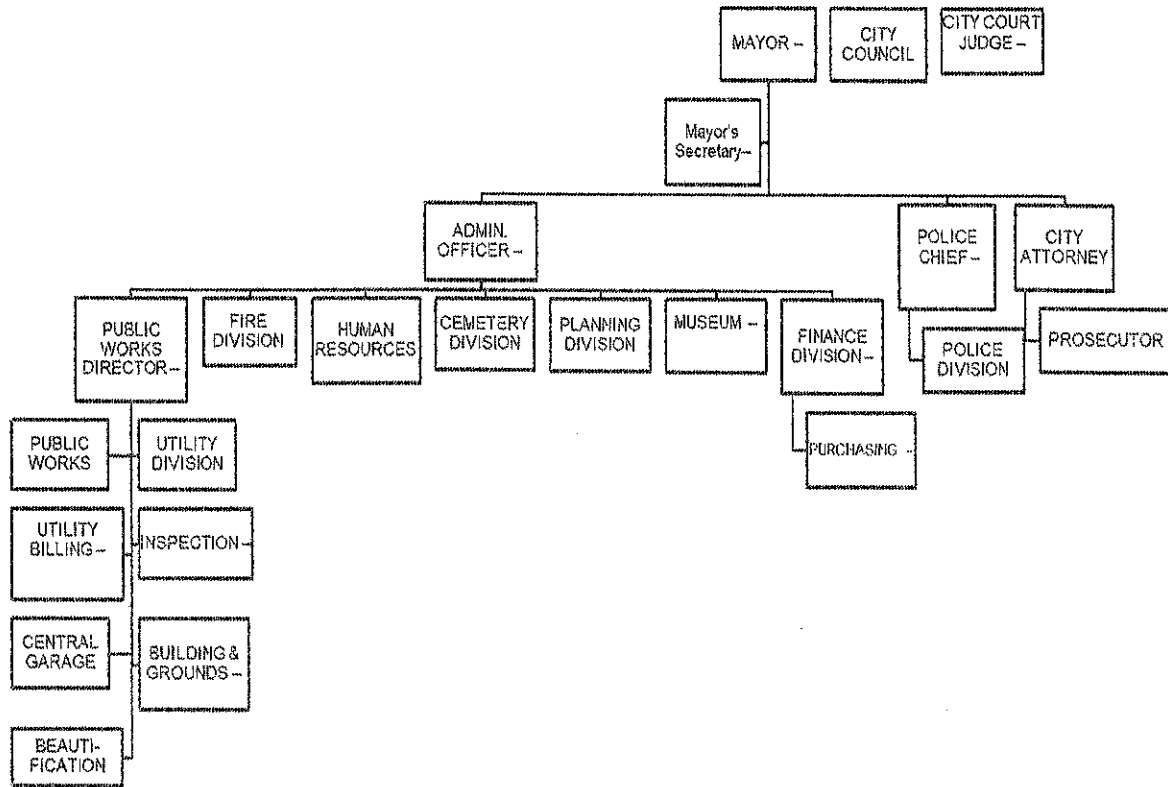
Mayor	Darnell Waites
Council Member – District 1	Charles Vincent
Council Member – District 2	Norman E. Heine
Council Member – District 3	Glenda Bryant
Council Member – District 4	Doris Alexander
Council Member – District 5	Brenda Jackson
Judge	Kirk Williams
Chief of Police	Carl Dunn

Appointed Officials

City Attorney	Ken Fabre
Administrative Officer - Interim	Chris Hunt

**CITY OF BAKER, LOUISIANA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

**ORGANIZATION CHART**



## **FINANCIAL SECTION**



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

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

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major funds, and the remaining fund information of the City of Baker (the City) as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents have issued our report thereon dated January 05, 2021.

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

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

### **Auditors' Responsibility**

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the major funds and the remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21 and budgetary comparison information on pages 72 and 73, the required OPEB information on page 74 and the required pension information on pages 75 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Matters, continued**

*Other Information, continued*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 05, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 05, 2021

**CITY OF BAKER, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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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, 2020. Please read it in conjunction with the City's financial statements which begin on page 23. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting change and currently known facts.

**FINANCIAL HIGHLIGHTS**

The major financial highlights for 2020 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$13.4 million (net position). Of this amount, unrestricted net position is currently in a deficit of \$11.6 million, primarily related to net pension liability and related deferred outflows/inflows of resources (\$10.8 million) and other post-employment benefits obligation and related deferred outflows/inflows (\$6.2 million), which was recorded in 2017 with implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.
- The primary government's total net position decreased by \$3 million which includes expenses related to net pension and other post-employment benefits of more than \$2 million.
- Governmental activities' net position decreased by \$3.3 million.
- Business-type activities' net position increased by \$2.9 thousand.
- The City utilized \$5.3 million of its financial resources on capital additions including, but not all-inclusive, miles of street asphalt overlays (\$1.5 million on 2019 Street Rehab Program from dedicated sales tax), water meters, public safety equipment (\$495 thousand in communication/technology for fire and police) maintenance equipment and land for economic and residential development purposes.

Significant aspects of the City's financial well-being, as of and for the year ended June 30, 2020, are detailed throughout this analysis.

**USING THIS ANNUAL REPORT**

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

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

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

**CITY OF BAKER, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

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Our auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are stated fairly in all material respects. 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**

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. 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. 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. 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, the City is divided 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 a cemetery, the City operates a gas, water and waste water treatment system which are reported herein.

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, 2020**

**Statement of Net Position**  
**June 30, 2020 and 2019**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,665	\$ 10,297	\$ 7,810	\$ 7,219	\$ 15,475	\$ 17,516
Capital assets	<u>15,447</u>	<u>11,499</u>	<u>7,401</u>	<u>7,690</u>	<u>22,848</u>	<u>19,189</u>
Total assets	23,112	21,796	15,211	14,909	38,323	36,705
Deferred outflows of resources	2,900	3,097	342	499	3,242	3,596
Current and other liabilities	1,311	818	2,799	2,911	4,110	3,729
Long-term liabilities	<u>19,348</u>	<u>15,125</u>	<u>3,893</u>	<u>3,940</u>	<u>23,241</u>	<u>19,065</u>
Total liabilities	20,659	15,943	6,692	6,251	27,351	21,794
Deferred inflows of resources	<u>735</u>	<u>1,081</u>	<u>88</u>	<u>71</u>	<u>823</u>	<u>1,152</u>
Net position:						
Net investment in capital assets	13,526	11,499	7,400	6,275	20,926	17,774
Restricted	3,630	9,586	397	347	4,027	9,933
Unrestricted	<u>(12,538)</u>	<u>(13,216)</u>	<u>976</u>	<u>1,864</u>	<u>(11,562)</u>	<u>(11,352)</u>
Total net position	\$ <u>4,618</u>	\$ <u>7,869</u>	\$ <u>8,773</u>	\$ <u>8,486</u>	\$ <u>13,391</u>	\$ <u>16,355</u>

At June 30, 2020, the City's net position was \$13,391 million. Restricted net position totaling \$4.0 million 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.

Unrestricted net position represents that 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. Net position of the City's governmental activities decreased by approximately \$3.3 million ending the year with unrestricted net position in a deficit of \$12.5 million. Net position related to infrastructure – buildings, equipment, vehicles, etc. – increased to \$13.5 million at June 30, 2020.

The City operates a cemetery and utility systems. The principal focus of these activities is to operate on a profitable basis. The net position of these proprietary-type funds increased by \$287 thousand during the year. There was approximately \$477 thousand in financial resources converted to capital assets in these funds during this current year.

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**  
**Years ended June 30, 2020 and 2019**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,478	\$ 2,238	\$ 4,359	\$ 4,248	\$ 5,837	\$ 6,486
Operating grants	511	18	33	34	544	52
General revenues:						
Ad valorem taxes	440	413	-	-	440	413
Sales taxes	6,480	5,677	-	-	6,480	5,677
Franchise taxes	660	653	-	-	660	653
Other taxes	554	238	-	-	554	238
Other general revenues/transfers	<u>2,026</u>	<u>4,243</u>	<u>(774)</u>	<u>(2,973)</u>	<u>1,252</u>	<u>1,270</u>
Total revenues	<u>12,149</u>	<u>13,480</u>	<u>3,618</u>	<u>1,309</u>	<u>15,767</u>	<u>14,789</u>
Functions/Program Expenses:						
General government	3,614	5,045	-	-	3,614	5,045
Public safety	7,695	3,463	-	-	7,695	3,463
Public works	3,324	2,119	-	-	3,324	2,119
Highways and streets	313	274	-	-	313	274
Economic/recreational	518	434	-	-	518	434
Utilities	-	-	2,786	3,449	2,786	3,449
Cemetery	-	-	473	334	473	334
Sewer revenue	<u>-</u>	<u>-</u>	<u>72</u>	<u>88</u>	<u>72</u>	<u>88</u>
Total expenses	<u>15,464</u>	<u>11,335</u>	<u>3,331</u>	<u>3,871</u>	<u>18,795</u>	<u>15,206</u>
Change in Net Position	<u>\$ (3,315)</u>	<u>\$ 2,145</u>	<u>\$ 287</u>	<u>\$ (2,562)</u>	<u>\$ (3,028)</u>	<u>\$ (417)</u>

**CITY OF BAKER, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

**Proprietary funds**—When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (Utility, Cemetery and City-Parish Sewer Funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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 75. See pages 69 through 75.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The government operations of the City are accounted for in the General, Street 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 2020 by fund type (in thousands):

	General Fund	Street Fund	Other Non- Major Funds	Total
Revenues and other financing sources	\$ 9,214	\$ 1,543	\$ 1,483	\$ 12,240
Expenditures other and financing uses	(12,109)	(1,575)	(1,639)	(15,323)
Surplus (deficit)	(2,895)	(32)	(156)	(3,083)
 Fund Balance, June 30, 2019, Restated	 4,335	 3,109	 2,195	 9,640
 Fund Balance, June 30, 2020	 \$ 1,440	 \$ 3,077	 \$ 2,040	 \$ 6,557

The City's governmental funds experienced an decrease in fund balances of \$3.1 million during the fiscal year ended June 30, 2020, bringing total combined fund balances to \$6.6 million at year-end. Of this amount, \$799 thousand is unassigned and available for utilization at the City's discretion. The remainder of the fund balances have been restricted, committed, assigned or classified as non-spendable. The restricted portion is for infrastructure and public safety. Committed fund balances is for the City's court system including marshal responsibilities while \$500 thousand has been assigned as an operating reserve.

Additionally, of the \$3.1 million decrease in fund balances, \$2.7 of that was used to purchase capital assets.

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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 \$1.4 million compared to the fund balance of \$4.3 million at the end of FY2019. The decrease in fund balances resulted from the use of financial sources to purchase capital assets as discussed earlier. Nearly the entire fire fleet – engines, pumpers and trucks – were replaced and communication tools for public safety was upgraded to the latest technology.

The Street Fund, for which revenues are restricted by law to be utilized for street maintenance, construction and beautification, experienced a decrease in fund balances of \$32 thousand leaving a fund balance of \$3.1 million at year-end. This is evidence of the use of prior year revenues to complete the 2019 rehabilitation asphalt program, the second year of extensive street overlays. There was \$1.5 million expended in this year on street maintenance and construction.

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

Source of Revenue	(in thousands)			
	2020		2019	
	Revenue	Percent	Revenue	Percent
Taxes	\$ 8,134	69%	\$ 6,981	66%
Intergovernmental	58	1%	55	1%
Licenses and permits	21	0%	475	5%
Charges for services	1,420	12%	1,501	14%
Fines	640	5%	682	6%
Other	1,587	13%	838	8%
Total	<u>\$ 11,860</u>	<u>100%</u>	<u>\$ 10,532</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for the prior year total \$10.5 million compared to \$11.9 million in the current year or 13% increase. The City's activities are largely supported by tax revenues, which represent 69% of total governmental resources.

The COVID-19 pandemic that covered half of the fiscal year presented unprecedented challenges in both how the City operates on a day-to-day basis and how it secures strong and consistent revenue streams. Despite the anticipated short fall, the City was able to end the year with strong sales tax revenue which is the most significant revenue stream.

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

The expenditures of the primary government increased by approximately \$2,100 thousand, primarily related to enhancements to the public safety system and infrastructure. General governmental expenditures for each major function are summarized in the following table.

	(in thousands)			
	2020		2019	
	Expenditure	Percent	Expenditure	Percent
General government	\$ 2,277	15%	\$ 5,004	38%
Public safety	6,697	44%	3,397	26%
Public works	2,878	19%	2,227	17%
Economic/recreation	518	3%	434	3%
Debt service – capital leases	273	2%	-	-
Capital outlay	2,680	17%	2,161	16%
Total	<u>\$ 15,323</u>	<u>100%</u>	<u>\$ 13,223</u>	<u>100%</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the current year, the City's governmental funds' budgeted amounts were amended to recognize the impact of actual results that either weren't previously anticipated or because of new projects implemented for the economic, community or recreational programs. There were movements within the budget units of budgeted expenditures to reallocate resources to areas of greater need to avoid the use of prior year fund balances to cover the costs of current year operations.

The General Fund realized \$417 thousand more than anticipated while expenditures were \$3.8 million less than budgeted. The most significant part of the budgeted expenditures in excess of actual expenditures is due to capital outlay. The capital plan and associated budget is created as a priority listing of projects that is not implemented if the anticipated revenues are not realized. The Street Fund, which is the only other major fund of governmental activities, realized \$832 thousand more than budgeted revenues. Expenditures were \$1 million less than budgeted. With approval of the 2019 Street Rehabilitation Program, reserved funds were allocated to cover the costs of street maintenance and construction.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City had \$22.8 million invested in a broad range of capital assets, including vehicles, fire equipment, technological equipment, office furniture, land, buildings, park facilities, roads and sewer, water and gas distribution systems. This amount represents an increase of \$5.3 million in overall capital investment balances of the prior year. A physical review of city-wide assets recognized the need for replacement of aging equipment and vehicles which increases service costs and subsequently down time.

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

The following is a summary of governmental and business-type capital assets for the past two years.

	(in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,040	\$ 874	\$ 374	\$ 374	\$ 1,414	\$ 1,247
Buildings	3,702	3,785	67	81	3,769	3,866
Equipment and vehicles	3,699	1,099	62	139	3,761	1,238
Utility systems	-	-	6,897	7,096	6,897	7,096
Infrastructure	7,005	5,741	-	-	7,005	5,741
Total assets net of depreciation	<u>\$15,446</u>	<u>\$ 11,499</u>	<u>\$ 7,400</u>	<u>\$ 7,690</u>	<u>\$ 22,846</u>	<u>\$19,189</u>

The City had \$5.3 million and \$3.1 million in capital additions during the year ended June 30, 2020 and 2019, respectively. The most significant additions to governmental activity assets included \$1.5 million in street overlays, \$495 thousand in public safety communication devices, \$239 thousand in fire/police technology, equipment and safety gear and \$198 thousand in equipment for the maintenance of facilities and grounds. The City also executed a lease/purchase for 3 fire engines and 1 aerial ladder with a value of \$2.1 million. Major expenditures for business-type activities included \$463 thousand in water system improvements including improved meters.

**Debt**

At year-end, the City had \$19.4 million in bonds and other long-term obligations versus \$15.2 million last year, an increase of \$4.1 million, as shown below.

	Governmental Activities			
	(in thousands)			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Net other post-employment benefits	\$ 4,904	\$ 390	\$ -	\$ 5,294
Compensated absences	525	210	-	735
Net pension liability	9,719	1,808	-	11,527
Capital lease	-	1,718	-	1,718
Claims and judgements	75	-	-	75
Total	<u>\$ 15,223</u>	<u>\$ 4,126</u>	<u>\$ -</u>	<u>\$ 19,349</u>

**CITY OF BAKER, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities			
	(in thousands)			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Net other post-employment benefits	\$ 1,102	\$ 153	\$ -	\$ 1,255
Compensated absences	174	-	13	161
Net pension liability	1,480	-	210	1,270
Bonds payable	1,415	-	208	1,207
Total	\$ 4,171	\$ 153	\$ 431	\$ 3,893

They City remained current on all bonds and notes outstanding during the year ended June 30, 2020.

More detailed information about the City's capital assets and long-term liabilities is presented in note disclosures 6, 9 and 10, respectively, to the financial statements.

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

The City's elected and appointed officials placed emphasis on economic development to bring businesses to the City to increase its sales tax base as this is the largest source of income to support the general government operations of the City. In addition to building a strong and consistent sales tax base through commercial and industrial expansion, the City's vision includes residential development through affordable housing, annexation and community-building events and facilities.

Towards these goals, purchases of land, establishment of economic development districts and continued negotiations with businesses and community leaders were part of the current budget. This same vision can be seen in next year's budget including the construction of a new water well and multi-million dollar drainage projects. Because the greater impact of the COVID-19 pandemic is yet to be realized, management will continue to be cognizant of future financial needs.

Revenues and other financial sources for the general fund are budgeted at \$9.9 million, with operating expenditures anticipated to be \$11.7 million. This expectation of utilizing prior year fund balances for the current year assumes that all projects included in the City's strategic plan will come to fruition but new endeavors will not be implemented without careful consideration of the City's financial health and stability. The City's governmental capital program includes \$5.4 million in capital related projects. This includes capital projects anticipated over the next five years according to the Master Plan. Grant funding will be utilized as much as possible but will also include prior years' fund balance accumulation.



**CITY OF BAKER, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2020**

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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, need additional financial information or wish to discuss the report, contact Mary Sue Stages, CPA with the City's Finance Department at (225) 778-1751, 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 FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 3,569,700	\$ 1,344,982	\$ 4,914,682
Inventory and prepaid expenses	141,328	248,184	389,512
Receivables:			
Accounts, net	458,585	903,245	1,361,830
Taxes	1,316,730	-	1,316,730
Other	120,123	-	120,123
Due from other funds	137,254	-	137,254
Due from other government agencies	-	16,224	16,224
Non-Current Assets:			
Investments	1,841,308	4,900,919	6,742,227
Restricted Assets:			
Cash and cash equivalents	79,741	19,858	99,599
Investments	-	376,861	376,861
Capital Assets:			
Non-depreciable	1,039,918	373,572	1,413,490
Depreciable, net	14,406,725	7,026,923	21,433,648
Total Assets	23,111,412	15,210,768	38,322,180
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to other post-employment benefits	521,963	130,491	652,454
Related to pension liability	2,377,723	211,350	2,589,073
Total Deferred Outflows of Resources	2,899,686	341,841	3,241,527
Total Assets and Deferred Outflows of Resources	26,011,098	15,552,609	41,563,707
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	499,930	14,367	514,297
Accrued liabilities	216,363	16,462	232,825
Bonds held for future disposition	30,629	-	30,629
Due to litigants	213,743	-	213,743
Unearned revenue	9,818	1,315,811	1,325,629
Customer utility deposits	-	1,103,595	1,103,595
Lease payable, current portion	202,655	-	202,655
Bonds payable, current portion	-	105,000	105,000
Due to other funds	137,254	-	137,254
Due to other government agencies	-	243,946	243,946
Non-Current Liabilities:			
Lease payable, less current portion	1,717,949	-	1,717,949
Bonds payable, less current portions	-	1,207,000	1,207,000
Compensated absences	735,124	161,285	896,409
Other post-employment benefits	5,293,799	1,254,575	6,548,374
Claims reserve	75,000	-	75,000
Net pension liabilities	11,526,530	1,269,868	12,796,398
Total Liabilities	20,658,794	6,691,909	27,350,703
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to other post-employment benefits	209,004	52,251	261,255
Related to pension liability	526,197	35,554	561,751
Total Deferred Inflows of Resources	735,201	87,805	823,006
Total Liabilities and Deferred Inflows of Resources	21,393,995	6,779,714	28,173,709
<b>NET POSITION</b>			
Net investment in capital assets, net of related debt	13,526,039	7,400,495	20,926,534
Restricted	3,629,751	396,719	4,026,470
Unrestricted	(12,538,687)	975,681	(11,563,006)
Total Net Position	\$ 4,617,103	\$ 8,772,895	\$ 13,389,998

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

**CITY OF BAKER, LOUISIANA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues			Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Intergovernmental	\$ 57,689	\$ 57,689	\$ -	\$ -	\$ -	\$ -
General government	3,555,920	540,979	400	(3,014,541)	-	(3,014,541)
Public safety	7,695,198	879,366	75,997	(6,739,835)	-	(6,739,835)
Public works	3,637,236	-	434,310	(3,202,926)	-	(3,202,926)
Economic/recreational development	518,122	-	-	(518,122)	-	(518,122)
Total Governmental Activities	15,464,165	1,478,034	510,707	(13,475,424)	-	(13,475,424)
<b>Business-Type Activities:</b>						
Enterprise - Utilities	2,785,677	4,074,759	32,794	-	1,321,876	1,321,876
Enterprise - Cemetery	473,133	283,927	-	-	(189,206)	(189,206)
Enterprise - City Parish Sewer	72,157	-	-	-	(72,157)	(72,157)
Total Business-Type Activities	3,330,967	4,358,686	32,794	-	1,060,513	1,060,513
Total Primary Government	\$ 18,795,132	\$ 5,836,720	\$ 543,501	(13,475,424)	1,060,513	(12,414,911)
<b>General Revenues and Transfers</b>						
Taxes:						
Sales				6,479,712	-	6,479,712
Franchise				660,445	-	660,445
Property				440,246	-	440,246
Other				553,834	-	553,834
Licenses and permits				21,430	-	21,430
Interest earnings, net of expense				211,103	(23,824)	187,279
Other revenues				1,413,923	97,558	1,511,481
Loss on obsolescence of capital assets				-	(467,360)	(467,360)
Transfers				380,000	(380,000)	-
				10,160,693	(773,626)	9,387,067
Change in Net Position				(3,314,731)	286,887	(3,027,844)
Net Position, beginning of year				7,869,098	8,486,008	16,355,106
Adjustment to prior periods				62,736	-	62,736
Net Position, end of year				\$ 4,617,103	\$ 8,772,895	\$ 13,389,998

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF BAKER, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Special Revenue Funds Street Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,438,143	\$ 2,131,557	\$ 3,569,700
Inventory and prepaid expenses	141,328	-	-	141,328
Receivables:				
Accounts, net	458,585	-	-	458,585
Grants	117,119	-	-	117,119
Interest	3,004	-	-	3,004
Taxes	861,302	291,468	163,959	1,316,729
Due from other funds	137,254	-	-	137,254
Investments	375,000	1,348,437	117,871	1,841,308
Restricted assets:				
Cash and cash equivalents	-	-	79,741	79,741
Total Assets	<u>\$ 2,093,592</u>	<u>\$ 3,078,048</u>	<u>\$ 2,493,128</u>	<u>\$ 7,664,768</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 441,242	\$ -	\$ 58,688	\$ 499,930
Accrued liabilities	202,590	685	13,088	216,363
Bonds held for future disposition	-	-	30,629	30,629
Due to litigants	-	-	213,743	213,743
Deferred revenues	9,818	-	-	9,818
Due to other funds	-	-	137,254	137,254
Total Liabilities	<u>653,650</u>	<u>685</u>	<u>453,402</u>	<u>1,107,737</u>
<b>FUND BALANCE</b>				
Non-spendable	141,328	-	-	141,328
Restricted	-	3,077,363	552,388	3,629,751
Committed	-	-	491,356	491,356
Assigned	500,000	-	995,982	1,495,982
Unassigned	798,614	-	-	798,614
Total Fund Balance	<u>1,439,942</u>	<u>3,077,363</u>	<u>2,039,726</u>	<u>6,557,031</u>
Total Liabilities and Fund Balance	<u>\$ 2,093,592</u>	<u>\$ 3,078,048</u>	<u>\$ 2,493,128</u>	<u>\$ 7,664,768</u>

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

**CITY OF BAKER, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

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Total Fund Balances - Governmental Funds \$ 6,557,031

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds balance sheet.

	Capital assets	\$ 28,232,394	
	Accumulated depreciation	<u>(12,785,750)</u>	15,446,644

Capital leases allow for the acquisition of fixed assets over a long-term period requiring the use of current financial resources for only the current year's lease payment. The remaining principal balance is not due and payable until a future date and, therefore is not reported on the fund level.

Principal balance of capital lease	(1,920,604)
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Long-term liabilities are not due and payable from current financial resources and are, therefore, not reported in the governmental funds balance sheet.

	Deferred outflows related to post-employment benefits	521,963	
	Deferred outflows related to pension liability	2,377,723	
	Compensated absences payable	(735,124)	
	Net other post-employment benefit obligation	(5,293,799)	
	Claims reserve	(75,000)	
	Net pension liability	(11,526,530)	
	Deferred inflows related to post employment benefits	(209,004)	
	Deferred inflows related to pension liability	<u>(526,197)</u>	<u>(15,465,968)</u>

Net Position of Governmental Activities	<u>\$ 4,617,103</u>
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**CITY OF BAKER, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue Funds Street Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 57,689	\$ -	\$ -	\$ 57,689
Taxes:				
Sales	3,830,940	1,538,482	1,110,289	6,479,711
Franchise	660,443	-	-	660,443
Property	440,246	-	-	440,246
Hotel/Motel	33,633	-	-	33,633
Other	520,201	-	-	520,201
Charges for services	1,249,846	-	170,499	1,420,345
License and permits	21,430	-	-	21,430
Fines and forfeitures	441,959	-	197,669	639,628
Grants and other contributions	510,707	-	-	510,707
Investment income	293,355	4,449	3,776	301,580
Other revenue	773,251	-	1,045	774,296
Total Revenues	8,833,700	1,542,931	1,483,278	11,859,909
<b>EXPENDITURES</b>				
Current function:				
General government	2,250,760	-	26,706	2,277,466
Public safety	5,180,759	-	1,515,754	6,696,513
Public works	2,817,659	60,216	-	2,877,875
Economic/recreational development	517,800	-	-	517,800
Debt service:				
Principal	176,725	-	5,735	182,460
Interest	-	-	90,477	90,477
Capital outlay	1,165,554	1,514,616	-	2,680,170
Total Expenditures	12,109,257	1,574,832	1,638,672	15,322,761
Deficiency of Revenues under Expenditures	(3,275,557)	(31,901)	(155,394)	(3,462,852)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	380,000	-	-	380,000
Net Change in Fund Balance	(2,895,557)	(31,901)	(155,394)	(3,082,852)
<b>FUND BALANCE</b>				
Beginning of year	4,272,763	3,109,264	2,195,120	9,577,147
Adjustment to prior periods	62,736	-	-	62,736
End of year	\$ 1,439,942	\$ 3,077,363	\$ 2,039,726	\$ 6,557,031

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



**CITY OF BAKER, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

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Net Change in Fund Balances - Total Governmental Funds \$ (3,082,852)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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

Capital outlay	\$ 2,680,170	
Depreciation expense	<u>(835,730)</u>	1,844,440

Certain long-term liabilities are not recognized at the fund level because they do not represent a claim on current financial resources. Expenses at the government-wide level are recognized when these liabilities are incurred, while expenditures are recognized at the fund level when cash payments are made. The amounts below are the net change in long-term liabilities.

Lease payable	182,460	
Compensated absences	(210,229)	
Other post-employment benefits and related outflows/inflows of resources	(76,711)	
Net pension liability and related outflows/inflows of resources	<u>(1,971,840)</u>	<u>(2,076,320)</u>

Change in Net Position of Governmental Activities	<u>\$ (3,314,732)</u>
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**CITY OF BAKER, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Utility	Cemetery	City Parish Sewer Revenue	Total Proprietary Funds
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,135,162	\$ 113,224	\$ 96,596	\$ 1,344,982
Inventory and prepaid expenses	41,269	206,915	-	248,184
Accounts receivable, net	446,390	105,821	165,873	718,084
Unbilled receivables	185,161	-	-	185,161
Due from other government agencies	-	-	16,224	16,224
Total Current Assets	1,807,982	425,960	278,693	2,512,635
Non-Current Assets:				
Investments	4,900,919	-	-	4,900,919
Restricted Assets:				
Cash and cash equivalents	-	19,858	-	19,858
Investments	-	376,861	-	376,861
Total Restricted Assets	-	396,719	-	396,719
Capital Assets:				
Nondepreciable	243,572	130,000	-	373,572
Depreciable, net	6,955,991	70,932	-	7,026,923
Net Capital Assets	7,199,563	200,932	-	7,400,495
Total Assets	13,908,464	1,023,611	278,693	15,210,768
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Related to other post-employment benefits	106,716	23,775	-	130,491
Related to pension liability	173,346	38,004	-	211,350
Total Deferred Outflow of Resources	280,062	61,779	-	341,841
Total Assets and Deferred Outflows of Resources	14,188,526	1,085,390	278,693	15,552,609
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	10,426	3,941	-	14,367
Accrued liabilities	12,767	2,995	700	16,462
Unearned revenue	28,580	1,287,231	-	1,315,811
Customer utility deposits	1,103,595	-	-	1,103,595
Bonds payable	105,000	-	-	105,000
Due to other government agencies	15,619	-	228,327	243,946
Total Current Liabilities	1,275,987	1,294,167	229,027	2,799,181
Non-Current Liabilities:				
Bonds payable	1,207,000	-	-	1,207,000
Compensated absences	158,853	918	1,514	161,285
Other post-employment benefits	980,927	218,544	55,104	1,254,575
Net pension liabilities	1,041,527	228,341	-	1,269,868
Total Non-Current Liabilities	3,388,307	447,803	56,618	3,892,728
Total Liabilities	4,664,294	1,741,970	285,645	6,691,909
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to other post-employment benefits	42,731	9,520	-	52,251
Related to pension liability	29,161	6,393	-	35,554
	71,892	15,913	-	87,805
Total Liabilities and Deferred Inflows of Resources	4,736,186	1,757,883	285,645	6,779,714
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	7,199,563	200,932	-	7,400,495
Restricted	-	396,719	-	396,719
Unrestricted	2,252,777	(1,270,144)	(6,952)	975,681
Total Net Position	9,452,340	(672,493)	(6,952)	8,772,895
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 14,188,526	\$ 1,085,390	\$ 278,693	\$ 15,552,609

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

**CITY OF BAKER, LOUISIANA**  
**STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Utility	Cemetery	City Parish Sewer Revenue	Total Proprietary Funds
<b>OPERATING REVENUES</b>				
Charges for Services:				
Water	\$ 1,294,840	\$ -	\$ -	\$ 1,294,840
Natural gas	1,683,786	-	-	1,683,786
Sewer	882,319	-	-	882,319
Late/reconnection fees	213,813	-	-	213,813
Other	21,428	12,499	63,631	97,558
Sales	-	283,927	-	283,927
Total Operating Revenues	<u>4,096,186</u>	<u>296,426</u>	<u>63,631</u>	<u>4,456,243</u>
<b>OPERATING EXPENSES</b>				
Cost of goods sold	625,126	99,586	-	724,712
Auto expense	73,328	3,233	-	76,561
Contractual services	255,694	13,003	-	268,697
Depreciation	354,927	10,044	-	364,971
Insurance	91,147	3,195	507	94,849
Payroll and employee-related expenses	682,197	316,798	39,686	1,038,681
Rent expense	360,000	6,000	-	366,000
Repairs and maintenance	20,944	6,357	-	27,301
Supplies	59,082	3,006	11,963	74,051
Utilities	101,155	10,121	-	111,276
Bad debt	33,397	-	-	33,397
Other operating expense	128,680	1,790	20,000	150,470
Total Operating Expenses	<u>2,785,677</u>	<u>473,133</u>	<u>72,156</u>	<u>3,330,966</u>
Operating Income (Loss)	<u>1,310,509</u>	<u>(176,707)</u>	<u>(8,525)</u>	<u>1,125,277</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Grant proceeds	32,794	-	-	32,794
Interest income	5,932	10,467	-	16,399
Interest expense	(40,223)	-	-	(40,223)
Loss on obsolescence of capital assets	(467,360)	-	-	(467,360)
Transfers, net	(250,000)	-	(130,000)	(380,000)
Net Non-Operating Revenue (Expense)	<u>(718,857)</u>	<u>10,467</u>	<u>(130,000)</u>	<u>(838,390)</u>
Change in Net Position	591,652	(166,240)	(138,525)	286,887
<b>NET POSITION</b>				
Beginning of year	<u>8,860,688</u>	<u>(506,253)</u>	<u>131,573</u>	<u>8,486,008</u>
End of year	<u>\$ 9,452,340</u>	<u>\$ (672,493)</u>	<u>\$ (6,952)</u>	<u>\$ 8,772,895</u>

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

**CITY OF BAKER, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Utility	Cemetery	City Parish Sewer Revenue	Total Proprietary Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,888,744	\$ 272,175	\$ 76,199	\$ 4,237,118
Payments to suppliers	(1,815,532)	(137,052)	(198,893)	(2,151,477)
Payments to employees	(721,191)	(171,118)	(39,447)	(931,756)
Net Cash Provided by (Used for) Operating Activities	1,352,021	(35,995)	(162,141)	1,153,885
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase (decrease) in customer deposits	11,769	-	-	11,769
Operating grants	32,794	-	-	32,794
Change in net amount due to/from other funds	-	(2,677)	-	(2,677)
Operating transfers to/from other funds	(250,000)	-	(130,000)	(380,000)
Net Cash Used for Noncapital and Related Financing Activities	(205,437)	(2,677)	(130,000)	(338,114)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(477,317)	-	-	(477,317)
Principal payment on bonds payable	(103,000)	-	-	(103,000)
Interest payments on bonds payable	(40,223)	-	-	(40,223)
Net Cash Used for Capital and Related Financing Activities	(620,540)	-	-	(620,540)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase/redemption of investments	(75,000)	(47,806)	-	(122,806)
Interest on investments	5,932	10,467	-	16,399
Net Cash Used for Investing Activities	(69,068)	(37,339)	-	(106,407)
Net Increase (Decrease) in Cash and Cash Equivalents	456,976	(76,011)	(292,141)	88,824
Cash and cash equivalents, beginning of year	678,186	209,093	388,737	1,276,016
Cash and cash equivalents, end of year	\$ 1,135,162	\$ 133,082	\$ 96,596	\$ 1,364,840
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 1,310,509	\$ (176,707)	\$ (8,525)	\$ 1,125,277
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	354,927	10,044	-	364,971
Change in operating assets and liabilities:				
Accounts receivable and other assets	(257,954)	(15,960)	(171,711)	(445,625)
Accounts payable and other accrued liabilities	(33,741)	2,623	18,095	(13,023)
Deferred revenues	7,325	(1,426)	-	5,899
Post-employment benefits and related deferred outflows (inflows)	(19,802)	94,084	-	74,282
Net pension liability and related deferred outflows (inflows)	(9,243)	51,347	-	42,104
Net Cash Provided by (Used for) Operating Activities	\$ 1,352,021	\$ (35,995)	\$ (162,141)	\$ 1,153,885

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**  
**JUNE 30, 2020**

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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 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 8.3 square miles in size with a population of approximately 13,900 residents. Within the boundaries are approximately 70 miles of roads maintained by the City.

**Basis of Presentation**

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

- A Management Discussion and Analysis (MD&A) section providing an analysis of the 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.

**Reporting Entity**

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

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

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

**Blended Component Units**

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

**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 activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. 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



**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

funds are reported as major funds in the financial statements:

The Street Fund accounts for the ½-cent sales tax dedicated to road construction, repairs and maintenance as well as beautification along the roadways.

*Enterprise Funds* – account for business-type activities to include:

The Utility Fund accounts for all financial resources related to the water, sewer and gas distribution systems managed and operated by the City.

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

The City Parish Sewer Revenue Fund accounts for the activities associated with providing billing and collection services for the Parish of East Baton Rouge sewer and refuse customers located within or just outside of the City's boundaries.

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.

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

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 Interfund 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 position 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 related to governmental activities.

**Inventories**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, sewer infrastructure, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financials. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
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 300 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.

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 are not paid for unused sick leave upon termination.

In the government-wide financial statements and the proprietary fund type 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, 2020, 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.

CITY OF BAKER, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

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

**Restricted Net Position**

In the 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.

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

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

**Stewardship, Compliance and Accountability**

At the meeting of the Council at which the operating budget is submitted, the Council orders a public hearing on it. At least ten days prior to the date of such hearing, the Council publishes in the official journal a general summary of the proposed budget. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the fifteenth day of the last month of the fiscal year. Budgetary amendments involving the transfer of funds from one budget unit 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 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.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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

**Levied Taxes**

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

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

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

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

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

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

The following is a summary of authorized sales taxes:

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 2 - CASH AND INVESTMENTS**

**Deposits and Cash Equivalents**

At June 30, 2020, the City had cash (book balances) totaling \$5,014,281 (inclusive of restricted cash of \$99,599) consisting primarily of demand deposit accounts, interest-bearing demand deposits and short-term certificates of deposits at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Baker's name. At June 30, 2020, the City's bank balances amounted to \$3,499,122. Of these bank balances, \$1,250,000 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.

Investments of the City consists of short-term certificates of deposit and securities managed under an Investment Management Agreement with Hancock Trust Division (now Whitney Bank).

The goals of the City in relation to its investments are 1) safety of principal, 2) liquidity and 3) yield.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 2 – CASH AND INVESTMENTS, CONTINUED**

Category 1 investments are those insured or registered in the name of the government, securities held by the government or by its agent in the government's name. Category 2 includes investments that are neither insured nor registered.

The City had the following investments at June 30, 2020:

	<u>Category 1</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Certificates of Deposit – various banks	\$ 577,438	\$ 577,438	\$ 577,438	2020	.10% - 1.27%
Investments Not Subject to Categorization:					
U.S. agencies		728,598	671,598	2020-2025	1.65% - 3.50%
U.S. Treasury bonds		<u>5,813,052</u>	<u>5,651,918</u>	2020-2025	1.87% - 2.75%
Total Investments		<u>\$ 7,119,088</u>	<u>\$ 6,900,954</u>		

Based on fair market measurement methods, investments are classified by level based on their degree of difficulty to obtain quote market prices. All investments of the City can be classified as level 1 assets.

**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**  
**JUNE 30, 2020**

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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, 2020. The City's policy provides for periodic review of pledged collateral to minimize 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, 2020, the City's investments reported on the governmental-wide statement of net position totaled \$7,119,088 which included \$6,541,650 fixed-income trusts investments and \$577,438 of certificates of deposit with maturities greater than 90 days.

The City has no formal policy regarding interest rate risk.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 4 - ACCOUNTS RECEIVABLE**

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

Accounts receivable at June 30, 2020 were as follows:

**Governmental Funds:**

	General Fund	Street Fund	Non-Major Governmental Funds	Total
Accounts	\$ 516,802	\$ -	\$ -	\$ 516,802
Sales tax	661,501	291,468	163,959	1,116,928
Franchise tax	141,615	-	-	141,615
Other	178,310	-	-	178,310
Total receivables	1,498,228	291,468	163,959	1,953,655
Less: Allowance for uncollectibles	(58,217)	-	-	(58,217)
Receivables, net	<u>\$ 1,440,011</u>	<u>\$ 291,468</u>	<u>\$ 163,959</u>	<u>\$ 1,895,438</u>

**Proprietary Funds:**

	Utility	Cemetery	City Parish Sewer Revenue	Total
Accounts receivable	\$ 818,782	\$ 105,821	\$ 165,873	\$ 1,090,476
Unbilled receivables	185,161	-	-	185,161
Less: Allowance for uncollectibles	(372,392)	-	-	(372,392)
Receivables, net	<u>\$ 631,551</u>	<u>\$ 105,821</u>	<u>\$ 165,873</u>	<u>\$ 903,245</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

Individual fund interfund receivable and payables as of June 30, 2020, as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 137,254	\$ -
911 Communications	<u>-</u>	<u>137,254</u>
Total	<u>\$ 137,254</u>	<u>\$ 137,254</u>

For the year ended June 30, 2020, interfund transfers consisted of the follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Governmental Funds:		
General Fund	\$ 380,000	\$ -
Proprietary Funds:		
Utility Fund	-	250,000
Sewer Revenue Fund	<u>-</u>	<u>130,000</u>
Total	<u>\$ 380,000</u>	<u>\$ 380,000</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b>Governmental activities:</b>				
Not being depreciated:				
Land	\$ 873,722	\$ 166,196	\$ -	\$ 1,039,918
Total capital assets, not being depreciated	873,722	166,196	-	1,039,918
Depreciated:				
Buildings	6,602,429	82,618	11,404	6,673,643
Improvements	3,084,488	21,970	-	3,106,458
Streets/Bridges	7,641,008	1,514,616	-	9,155,624
Equipment	2,784,660	692,835	783,143	2,694,352
Vehicles	3,417,487	201,934	721,036	2,898,385
Furniture and equipment	647,309	-	86,360	560,949
Leased vehicles under capital lease	-	2,103,064	-	2,103,064
Total capital assets, being depreciated	24,177,381	4,617,037	1,601,943	27,192,475
Total capital assets	25,051,103	4,783,233	1,601,943	28,232,393
Less accumulated depreciation for:				
Buildings	3,146,605	162,018	11,404	3,297,219
Improvements	2,755,284	25,546	-	2,780,830
Streets/Bridges	1,899,652	250,665	-	2,150,317
Equipment	2,320,788	218,740	783,143	1,756,385
Vehicles	2,983,445	146,166	721,036	2,408,575
Furniture and equipment	446,187	32,597	86,360	392,424
Total accumulated depreciation	13,551,961	835,732	1,601,943	12,785,750
Total capital assets, being depreciated, net	10,625,420	3,781,305	-	14,406,725
Governmental activities capital assets, net	\$11,499,142	\$3,947,501	\$ -	\$15,446,643

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS, CONTINUED**

Depreciation expense totaling \$835,732 for the year ended June 30, 2020 was charged to governmental functions in the statement of activities as follows:

General government	\$ 188,668
Public safety	379,498
Public works	<u>267,566</u>
Total	<u>\$ 835,732</u>

**Business-Type Activities**

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<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	9,053	-	282,363
Utility systems	14,754,702	465,878	502,801	14,717,779
Streets	50,000	-	-	50,000
Equipment	1,774,510	2,386	1,116,758	660,138
Vehicles	430,082	-	156,931	273,151
Furniture and equipment	106,595	-	-	106,595
Total capital assets, being depreciated	<u>17,389,199</u>	<u>477,317</u>	<u>1,776,490</u>	<u>16,090,026</u>
Total capital assets	<u>17,762,771</u>	<u>477,317</u>	<u>1,776,490</u>	<u>16,463,598</u>
Less accumulated depreciation for:				
Buildings	209,155	5,877	-	215,032
Utility systems	7,590,265	330,475	100,560	7,820,180
Streets	50,000	-	-	50,000
Equipment	1,683,619	25,339	1,117,371	591,587
Vehicles	433,361	3,279	156,931	279,709
Furniture and equipment	106,595	-	-	106,595
Total accumulated depreciation	<u>10,072,995</u>	<u>364,970</u>	<u>1,374,862</u>	<u>9,063,103</u>
Total capital assets, being depreciated, net	<u>7,316,204</u>	<u>112,347</u>	<u>401,628</u>	<u>7,026,923</u>
Business-type activities capital assets, net	<u>\$ 7,689,776</u>	<u>\$ 112,347</u>	<u>\$ 401,628</u>	<u>\$ 7,400,495</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - PENSION PLAN**

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.

**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.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - PENSION PLAN, CONTINUED**

and which elect to become members of the System. The City of Baker is a participant in Plan A only.

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

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

**Firefighters' Retirement System (FRS)**

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

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251- 11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 7 - PENSION PLAN, CONTINUED**

**Contributions**

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

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2020, for the City and covered employees were as follows:

	<u>City</u>	<u>Employees</u>
<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	32.50%	10.00%
Non-Hazardous Duty employees hired after 01/01/2013	32.50%	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	27.75%	10.00%
Employees receiving compensation below poverty		
guidelines of U. S. Department of Health	29.75%	8.00%
<b>Louisiana State Employees' Retirement System</b>		
Judges hired before 01/01/11	43.60%	13.00%

**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, 2019 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2020 in accordance with GASB Statement 68. The schedule also includes



**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 7 - PENSION PLAN, CONTINUED**

the proportionate share allocation rate used at June 30, 2019 along with the change compared to the June 30, 2018 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, 2020	Current Measurement Rate	Previous Measurement Rate	Increase (Decrease)
MERS	\$ 6,347,162	1.4681%	1.2524%	0.2157%
MPERS	3,709,210	0.4084%	0.4196%	(0.0112)%
FRS	2,436,102	0.3890%	0.3628%	0.0262%
LASERS	303,924	0.0013%	0.4200%	(0.4187)%
Total	<u>\$ 12,796,398</u>			

The following schedule list each pension plan's recognized pension expense (benefit) of the City for the year ended June 30, 2020:

MERS	\$ 2,628,987
MPERS	560,123
FRS	653,674
LASERS	<u>(39,822)</u>
Total	<u>\$ 3,802,962</u>

At June 30, 2020, 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	\$ 7,783	\$ (223,039)
Changes of assumptions	228,071	(177)
Net difference between projected and actual earnings on pension plan investments	232,458	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	698,624	(303,513)
Differences between allocated and actual contributions	(2,817)	(35,023)
Employer contributions subsequent to the measurement date	1,424,953	-
Total	<u>\$ 2,589,072</u>	<u>\$ (561,752)</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - PENSION PLAN, CONTINUED**

For that portion related to governmental activities, the reconciliation from fund to government-wide level reporting is as follows:

Change in...	
Net pension liability	\$ 1,807,755
Deferred outflows of resources	(3,224,865)
Deferred inflows of resources	<u>(554,730)</u>
	<u>\$ (1,971,840)</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
MERS	\$ 1,056,385	\$ (163,690)
MPERS	1,112,731	(349,850)
FRS	371,864	(45,363)
LASERS	48,093	<u>(2,848)</u>
Total	<u>\$ 2,589,073</u>	<u>\$ (561,751)</u>

The City reported a total of \$1,424,953 as deferred outflows of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 which will be recognized as a reduction in Net Pension Liability in the subsequent year. The following schedule lists the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
MERS	\$ 764,515
MPERS	394,234
FRS	232,273
LASERS	<u>33,932</u>
Total	<u>\$ 1,424,954</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 7 - PENSION PLAN, CONTINUED**

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

Year	MERS	MPERS	FPS	LASERS	Total
2021	\$ 466,310	\$ 161,313	\$ 78,181	\$ 8,833	\$ 714,637
2022	269,311	52,393	(1,183)	906	321,427
2023	70,092	39,745	(55,716)	(9,265)	44,856
2024	22,710	6,177	15,601	(1,389)	43,099
2025	-	-	(2,228)	-	(2,228)
2026	-	-	(883)	-	(883)
Total	<u>\$ 828,423</u>	<u>\$ 259,628</u>	<u>\$ 33,772</u>	<u>\$ (915)</u>	<u>\$ 1,120,908</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, 2019 are as follows:

	Measurement/ Valuation Date	Expected Remaining Service Lives	Investment Rate of Return
MERS	June 30, 2019	3 years	7.275% net of investment expenses
MPERS	June 30, 2019	4 years	7.125% net of investment expenses
FRS	June 30, 2019	7 years	7.15% net of fees
LASERS	June 30, 2019	2 years	7.60% net of investment expenses

**Mortality:**

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

**MPERS** - Mortality assumptions were set based on the RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Mortality Table projected to 2029 by Scall AA (setback 1 year for females) for healthy annuitants and beneficiaries. The RP- 2000 Disabled Lives Mortality Table was selected for disabled annuitants (setback 5 and 3 years for males and females, respectively).

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 7 - PENSION PLAN, CONTINUED**

**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. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table setback 5 years for males and 3 years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

**LASERS - Non-disabled members** - Mortality rates are based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. **Disabled members** - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

**Salary Increases:**

**MERS** – 6.4% and 4.5% for years of service totaling 1-4 years and 5+ years, respectively, assuming 2.5% Inflation

**MPERS -**

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

**FRS** – Varies depending on years of service starting at 14.75% in the first two years of service, decreasing to 5.5% for years 3 – 24 and to 4.5% after 25 years.

**LASERS** - Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.2%	13.0%
Judges	2.8%	5.3%
Corrections	3.8%	14.0%
Hazardous Duty	3.8%	14.0%
Wildlife	3.8%	14.0%

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - PENSION PLAN, CONTINUED**

**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.

**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 6.95% for the year ended June 30, 2019.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - PENSION PLAN, CONTINUED**

**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 2.6% and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 7.125% for the year ended June 30, 2019.

**FRS** - The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The long-term geometric expected rate of return was 7.15% as of June 30, 2019.

**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 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% as of June 30, 2019.

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 7 - 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, 2019:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	FRS	MERS	MPERS	FRS
Public equity	50.0%	0.00%	0.00%	1.90%	0.00%	0.00%
Equity	0.00%	48.5%	54.0%	4.10%	3.28%	6.79%
Public fixed income	35.0%	0.00%	0.00%	4.00%	0.00%	0.00%
Fixed income	0.00%	33.5%	26.0%	3.80%	0.80%	1.76%
Alternatives	15.0%	18.0%	10.0%	5.50%	1.06%	6.12%
Other	0.00%	0.00%	10.0%	0.00%	0.00%	4.40%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	19.30%	5.14%	19.07%
Inflation				<u>2.70%</u>	<u>2.75%</u>	<u>2.50%</u>
Expected Arithmetic Nominal Return				<u>22.00%</u>	<u>7.89%</u>	<u>21.57%</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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0.24%
Domestic equity	18%	4.83%
International equity	22%	5.83%
Domestic Fixed Income	7%	2.79%
International Fixed Income	10%	4.49%
Alternative Investments	31%	8.32%
Global Asset Allocation	<u>12%</u>	5.06%
Total	<u>100%</u>	5.26%

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 7 - 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 7.275%, 7.125%, 7.15%, and 7.60%, respectively for the year ended June 30, 2019.

**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>MERS</b>			
Discount Rates	5.950%	6.950%	7.950%
Share of Net Pension Liability	\$ 6,661,656	\$ 6,347,162	\$ 3,926,138
<b>MPERS</b>			
Discount Rates	6.13%	7.125%	8.13%
Share of Net Pension Liability	\$ 4,984,770	\$ 3,709,210	\$ 2,341,098
<b>FRS</b>			
Discount Rates	6.15%	7.15%	8.15%
Share of Net Pension Liability	\$ 3,044,903	\$ 2,436,102	\$ 1,281,372
<b>LASERS</b>			
Discount Rates	6.60%	7.60%	8.60%
Share of Net Pension Liability	\$ 478,474	\$ 303,942	\$ 293,551



**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN**

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

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

**Plan Description:** The City of Baker's medical and dental benefits are provided through an insured medical plan and are made available to employees upon actual retirement. The City pays a dollar amount of the contribution of the medical and dental coverage for the retiree and dependents. For medical this varies from \$317 to \$480 for individual coverage and depends on the plan elected. The retiree pays the remaining balance. Employees are covered by a retirement system whose retirement eligibility provisions are as follows: age 60 and 10 years of service or, if earlier, twenty-five (25) years of service at any age.

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

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN, CONTINUED**

***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 Assumptions and Basis**

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

Inflation	2.5%
Salary increases	3.5%
Discount rate	2.21% annually (-0.29% real rate of return plus 2.50% inflation)
Healthcare cost trend rates	Level 4.50% for medical and level 2.50% for dental

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

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN, CONTINUED**

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

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

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

**Discount rate:** The discount rate was selected by reviewing the recent published Bond Buyers' 20 Year General Obligation municipal bond index, which is one of the indices acceptable under GASB 75. A discount rate of 2.21% with a -0.29% real rate of return plus 2.5% inflations was selected for this valuation.

**Mortality Rate:** The RPH-2014 Total Table with Projection MP-2019 table was used.

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

**Employees Covered by Benefit Terms**

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	40
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>90</u>
Total	<u>130</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN, CONTINUED**

**Total OPEB Liability**

The City of Baker's total OPEB liability of \$6,548,374 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

	<u>Amount</u>
Balance at June 30, 2019	<u>\$6,006,182</u>
Changes for the year:	
Service cost	143,559
Interest	232,172
Differences between expected and actual experience	(240,891)
Changes in assumption	739,217
Benefit payments and net transfers	<u>(331,865)</u>
Net change	<u>542,192</u>
Balance at June 30, 2020	<u>\$6,548,374</u>
Covered-employee payroll	<u>\$3,723,219</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>175.88%</u>

For that portion related to governmental activities, the reconciliation from fund to government-wide level reporting is as follows:

Change in...	
Net OPEB liability	\$ (389,670)
Deferred outflows of resources	521,963
Deferred inflows of resources	(209,004)
	<u>\$ (76,711)</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN, CONTINUED**

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<b>1.0% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1.0% Increase (3.21%)</b>
Total OPEB liability	<u>\$ 7,805,662</u>	<u>\$ 6,548,374</u>	<u>\$ 5,572,666</u>

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

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

	<b>1.0% Decrease (3.5%)</b>	<b>Current Trend (4.5%)</b>	<b>1.0% Increase (5.5%)</b>
Total OPEB liability	<u>\$ 5,461,344</u>	<u>\$ 6,548,374</u>	<u>\$ 8,002,113</u>

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

The OPEB expense reported in the accompanying financial statements was computed as follows:

	<u><b>Amount</b></u>
Service cost as of 7/1/2019	\$ 143,559
Interest cost, including interest on service cost	232,172
Changes of benefit terms	-
Current Recognized Deferred Outflows (Inflows):	
Difference between expected and actual experience	(34,740)
Changes in assumptions or other inputs	86,763
Difference of projected investment earnings	<u>-</u>
Total OPEB Expense as of 6/30/2020	<u>\$ 427,754</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN, CONTINUED**

Changes in the OPEB liability each year results in deferred outflows and inflows of resources which are summarized in the following table:

	Schedule of Deferred Outflows/(Inflows)	
	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$(261,255)
Changes of assumptions/inputs	652,454	-
Net difference between projected and actual investments	-	-
Totals	\$ 652,454	\$(261,255)

**NOTE 9 - LONG-TERM DEBT**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2020:

	Beginning at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amount Due Within One Year
<b>Governmental Activities:</b>					
Claims/judgments	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ -0-
Compensated absences	524,895	210,229	-	735,124	-0-
Capital lease	-0-	1,920,604	-	1,920,604	202,655
Net OPEB	4,904,129	389,670	-	5,293,799	-0-
Net pension liability	9,718,775	1,807,755	-	11,526,530	-0-
Totals	\$ 15,222,799	\$ 4,328,258	\$ -	\$ 19,551,057	\$ 202,655

	Beginning at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amount Due Within One Year
<b>Business-Type Activities:</b>					
Compensated absences	\$ 174,145	\$ -0-	\$ 12,860	\$ 161,285	\$ -0-
Revenue Bonds 2010A	685,000	-0-	50,000	635,000	51,000
Revenue Bonds 2010B	730,000	-0-	53,000	677,000	54,000
Net OPEB	1,102,053	152,522	-0-	1,254,575	-0-
Net pension liability	1,479,983	-0-	210,115	1,269,868	-0-
Totals	\$ 4,171,181	\$ 153,522	\$ 325,975	\$ 3,997,728	\$ 105,000

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

**NOTE 9 - LONG-TERM DEBT, CONTINUED**

The individual bond issues and loan agreement are as follows:

Bond Issue/Loan Agreement	Original Issue Amount	Interest Rate	Principal Outstanding June 30, 2020	Interest to Maturity	Maturity Date
Water Revenue Bonds, Series 2010A	\$ 2,000,000	2.95%	\$ 635,000	\$ 136,930	2031
Water Revenue Bonds, Series 2010B	2,200,000	2.95%	677,000	146,030	2031

The payments due under the terms of the notes payable as of June 30, 2020 are scheduled to occur as follows:

<u>Year Ending June 30,</u>	Principal Payments	Interest Payments	Total
2021	\$ 105,000	\$ 38,704	\$ 143,704
2022	108,000	35,607	143,607
2023	111,000	32,421	143,421
2024	114,000	29,736	143,736
2025	117,000	39,470	156,470
2026-2031	757,000	87,911	844,911
	<u>\$ 1,312,000</u>	<u>\$ 263,849</u>	<u>\$ 1,575,849</u>

**NOTE 10 – LEASE PAYABLE**

The City leases three pumpers and one aerial ladder under a lease-purchase agreement classified as a capital lease. The equipment cost of \$2,103,064 includes a lease term of five years at an interest rate of 3.66%. The term began upon delivery of the fire engines in May of 2020 and terminates upon the earlier of (1) expiration of the original lease term; (2) exercise of purchase option before expiration; (3) default by either party; or (4) payment by Lessee of all rental payments authorized or required to be paid through the full lease term.

The payment schedule related to the full lease term is as follows:

<u>Year Ending June 30,</u>	Principal Payments	Interest Payments	Total Debt Service
2021	\$ 202,655	\$ 70,282	\$ 272,937
2022	210,071	62,867	272,937
2023	217,758	55,179	272,937
2024	225,727	47,211	272,937
2025	1,064,393	32,891	1,097,284
	<u>\$ 1,920,604</u>	<u>\$ 268,430</u>	<u>\$ 2,189,034</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 10 – LEASE PAYABLE, CONTINUED**

At the government-wide level, the equipment cost is reported as a depreciable capital asset and the short and long-term portion of the lease obligation is recognized.

Capital Assets – depreciable	\$ <u>2,103,064</u>
Lease payable:	
Current portion	202,655
Non-current portion	<u>1,717,949</u>
	\$ <u>1,920,604</u>

At the fund level, lease payments are reported as debt service including only the payment made during the current year.

Debt Service:	
Principal	\$ 182,460
Interest	<u>90,477</u>
	\$ <u>272,937</u>

**NOTE 11 - 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 12 - 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.



**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 12 – CONTINGENCIES, CONTINUED**

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 13 - DEFICIT FUND BALANCES**

The Cemetery Fund had a deficit net position of \$672,493 as of June 30, 2020. Of this amount, \$401,019 is attributable to reporting post-employment benefits and net pension liabilities based on actuarial assumptions. The remaining cause is the sale of pre-need vaults, markers and interments that are recognized as unearned revenue on the statement of net position as opposed to revenue on the statement of activities. To absolve the deficit net position reference above, management plans to transfer funds from the general fund as the need arises for employee related obligations. In addition, management will continue to deposit 70% of all pre-need sales into a trust to be utilized towards the expense of future obligations related to burials.

The Sewer Revenue Fund also ended the year with a deficit balance of \$6,952. The proportionate share of the assigned employee to these services and related benefits is budgeted based on anticipated revenues. This deficit will be corrected in the subsequent year through budget amendments.

The 911 Communications Fund had a deficit fund balance at June 30, 2020 of \$148,885. The EMS fees received from East Baton Rouge Parish are not sufficient to cover the staff required to operate an efficient communications center. Now that this department is fully staffed, future budgets will require the use of governmental revenues to operate.

**NOTE 14 - PRIOR PERIOD ADJUSTMENTS**

The July 1, 2019, beginning balances of net position were restated as follows:

**Government-Wide Financial Statements**

	Governmental Activities
Total net position, June 30, 2019, as previously reported	\$ 9,577,147
Fund-basis adjustments referenced below	<u>(62,736)</u>
Total net position, June 30, 2019, restated	<u>\$ 9,514,411</u>

**CITY OF BAKER, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2020**

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**NOTE 14 - PRIOR PERIOD ADJUSTMENTS, CONTINUED**

**Governmental Funds**

The City was involved in a lawsuit that was initiated in a prior year. The outcome and associated costs was undeterminable until after the close of the current year but before the annual financial report was issued. A judgement was made obligating the City to a claim reasonably determined to be approximately \$62,736.

	<u>General Fund</u>
Total net position, June 30, 2019, as previously reported	\$ 4,272,763
Fund-basis adjustments referenced below	<u>(62,736)</u>
Total net position, June 30, 2019, restated	<u>\$ 4,210,027</u>

**NOTE 15 - SUBSEQUENT EVENTS**

In preparing the financial statements, management of the City has evaluated subsequent events and transactions for potential recognition or disclosure through January 05, 2021, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization recognized COVID-19 as a global pandemic, one that has adversely affected economic activity world-wide and has continued through the date of the issuance of this report. Preventative and protective measures taken by the City to monitor and mitigate these effects for its employees, residents and businesses has impacted how the City conducts business such as requirement of masks, temperature monitoring upon entry, social distancing, restricted or limited access to public buildings, sanitation of public buildings, virtual meetings, working from home and split shifts to minimize the number of employees in contact with others and the public. Direct costs, excluding salaries and related expenses and enhanced technology, associated with these measures has amounted to more than \$25,000 through the date of this report.

The impact on the City's revenues has not been significant, but future experience cannot be reasonably estimated at this time because the duration and related financial impact on businesses and individuals is undeterminable. The City does not consider its ability to continue as a going concern at risk nor does it anticipate the discontinuation of services at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BAKER, LOUISIANA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance - positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 66,260	\$ 55,630	\$ 57,689	\$ 2,059
Taxes:				
Sales	3,875,000	3,630,630	3,830,940	200,310
Franchise	655,000	655,000	660,443	5,443
Property	435,000	435,000	440,246	5,246
Hotel/Motel	115,000	30,000	33,633	3,633
Other	177,000	517,000	520,201	3,201
Charges for services	1,780,700	1,255,700	1,249,846	(5,854)
License and permits	482,200	22,200	21,430	(770)
Fines and forfeitures	557,000	442,000	441,959	(41)
Grants and other contributions	232,984	434,284	510,707	76,423
Investment income	175,000	175,000	293,355	118,355
Other revenue	236,000	764,500	773,251	8,751
Total Revenues	8,787,144	8,416,944	8,833,700	416,756
<b>EXPENDITURES</b>				
Current function:				
General government	3,199,211	2,275,986	2,250,760	25,226
Public safety	4,204,807	5,181,007	5,180,759	248
Public works	2,353,765	2,853,765	2,817,659	36,106
Economic/recreational development	379,091	529,091	517,801	11,290
Debt service:				
Principal	-	177,000	176,725	275
Capital outlay	5,108,750	4,931,750	1,165,554	3,766,196
Total Expenditures	15,245,624	15,948,599	12,109,257	3,839,341
Deficiency of Revenues over Expenditures	(6,458,480)	(7,531,655)	(3,275,557)	4,256,097
<b>OTHER FINANCING SOURCES</b>				
Transfers in	250,000	340,000	380,000	40,000
Net Change in Fund Balance	(6,208,480)	(7,191,655)	(2,895,557)	4,296,097
<b>FUND BALANCE</b>				
Beginning of year, restated	4,335,499	4,335,499	4,335,499	-
End of year	\$ (1,872,981)	\$ (2,856,156)	\$ 1,439,942	\$ 4,296,097

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

**CITY OF BAKER, LOUISIANA**  
**STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) TO ACTUAL**  
**YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 710,000	\$ 710,000	\$ 1,538,482	\$ 828,482
Interest earned	<u>1,000</u>	<u>1,000</u>	<u>4,449</u>	<u>3,449</u>
Total Revenues	711,000	711,000	1,542,931	831,931
<b>EXPENDITURES</b>				
Current function:				
Public works	143,430	143,430	60,216	83,214
Capital outlay	<u>549,200</u>	<u>1,637,630</u>	<u>1,514,616</u>	<u>123,014</u>
Total Expenditures	<u>692,630</u>	<u>1,781,060</u>	<u>1,574,832</u>	<u>206,228</u>
Net Change in Fund Balance	18,370	(1,070,060)	(31,901)	1,038,159
<b>FUND BALANCE</b>				
Beginning of year	<u>3,109,264</u>	<u>2,109,264</u>	<u>3,109,264</u>	<u>(1,000,000)</u>
End of year	<u>\$ 3,127,634</u>	<u>\$ 1,039,204</u>	<u>\$ 3,077,363</u>	<u>\$ 38,159</u>

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

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**YEAR ENDED JUNE 30, 2020**

<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 143,559	\$ 143,559	\$ 138,197
Interest	232,172	225,208	229,266
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(240,891)	-	-
Changes of assumptions	739,217	-	-
Benefit payments and net transfers	<u>(331,865)</u>	<u>(333,845)</u>	<u>(333,845)</u>
<b>Net Change in Total OPEB Liability</b>	542,192	34,922	33,618
<b>Total OPEB liability - beginning</b>	<u>6,006,182</u>	<u>5,971,260</u>	<u>5,937,642</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 6,548,374</u>	<u>\$ 6,006,182</u>	<u>\$ 5,971,260</u>
Covered-employee payroll	<u>\$ 3,723,219</u>	<u>\$ 2,856,794</u>	<u>\$ 2,856,794</u>
Net OPEB liability as a percentage of covered-employee payroll	175.88%	210.24%	209.02%

**NOTES TO SCHEDULE:**

*Benefit Changes.* There were no changes of benefit terms for the year ended June 30, 2020.

*Changes of Assumptions.* There were no changes of assumptions for the year ended June 30, 2020.

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

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COST SHARING PLANS ONLY**  
**LAST TEN FISCAL YEARS (1)(2)**

Pension Plan:	Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Municipal Employees' Retirement System of Louisiana</b>						
	2020	1.4680%	6,347,162	2,661,452	238.4849%	64.52%
	2019	1.2524%	5,185,818	1,912,812	271.1097%	63.94%
	2018	1.2002%	5,020,738	2,179,327	230.3802%	62.49%
	2017	1.1928%	4,889,113	2,130,577	229.4737%	63.34%
	2016	1.1890%	4,247,287	2,007,317	211.5902%	66.18%
	2015	1.1392%	2,923,588	2,068,064	141.3684%	73.99%
<b>Municipal Police Employees' Retirement System</b>						
	2020	0.4084%	3,709,210	1,330,065	278.8743%	71.01%
	2019	0.4196%	3,547,180	1,131,477	313.5000%	71.89%
	2018	0.3519%	3,072,201	1,127,457	272.4894%	70.08%
	2017	0.4622%	4,331,732	1,307,803	331.2221%	66.04%
	2016	0.4507%	3,530,395	1,221,242	289.0823%	70.73%
	2015	0.4996%	312,595	1,060,968	29.4632%	75.10%
<b>Firefighters' Retirement System</b>						
	2020	0.3890%	2,436,102	1,071,357	227.3847%	73.96%
	2019	0.3628%	2,086,641	919,893	226.8352%	74.76%
	2018	0.3657%	2,096,172	860,440	243.6163%	73.55%
	2017	0.3744%	2,449,039	851,681	287.5536%	68.16%
	2016	0.3589%	1,936,899	775,444	249.7794%	72.45%
	2015	0.3640%	1,619,831	702,846	230.4674%	76.02%
<b>Louisiana State Employees' Retirement System</b>						
	2020	0.1310%	303,924	105,412	288.3204%	62.90%
	2019	0.4190%	379,119	103,345	366.8479%	64.30%
	2018	0.0042%	397,553	97,325	408.4798%	62.50%
	2017	0.0042%	439,194	99,076	443.2900%	57.70%
	2016	0.0032%	305,659	86,670	352.6699%	62.70%
	2015	0.0038%	343,846	83,875	409.9505%	65.00%

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

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

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

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF CONTRIBUTIONS TO EACH RETIREMENT SYSTEM**  
**COST SHARING PLANS ONLY**  
**LAST TEN FISCAL YEARS (1)**

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Employee Payroll
<b>Municipal Employees' Retirement System of Louisiana</b>					
2020	778,664	778,664	-	2,661,452	29.2571%
2019	671,326	671,326	-	2,582,023	26.0000%
2018	473,421	473,421	-	1,912,812	24.7500%
2017	495,797	495,797	-	2,179,327	22.7500%
2016	420,789	420,789	-	2,130,577	19.7500%
2015	376,372	376,372	-	2,007,317	18.7500%
<b>Municipal Police Employees' Retirement System</b>					
2020	411,342	411,342	-	1,330,065	30.9265%
2019	375,683	375,683	-	1,164,909	32.2500%
2018	359,244	359,244	-	1,131,477	31.7500%
2017	357,968	357,968	-	1,127,457	31.7500%
2016	385,802	385,802	-	1,307,803	29.5000%
2015	378,585	378,585	-	1,221,242	31.0000%
<b>Firefighters' Retirement System</b>					
2020	249,783	249,783	-	1,071,357	23.3146%
2019	260,378	260,378	-	982,558	26.5000%
2018	232,273	232,273	-	919,893	25.2500%
2017	217,261	217,261	-	860,440	25.2500%
2016	232,083	232,083	-	851,681	27.2500%
2015	219,063	219,063	-	775,444	28.2500%
<b>Louisiana State Employees' Retirement System</b>					
2020	10,600	10,600	-	105,412	10.0558%
2019	44,724	44,724	-	112,939	39.6000%
2018	40,408	40,408	-	103,345	39.1001%
2017	38,054	38,054	-	97,325	39.0999%
2016	37,748	37,748	-	99,076	38.1000%
2015	35,967	35,967	-	86,670	41.4988%

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

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



**CITY OF BAKER, LOUISIANA**  
**Notes to Proportionate Share of Net Pension Liability**  
**and Schedule of Pension Contributions**  
**for the Year Ended June 30, 2020**

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**NOTE 1 - NET PENSION LIABILITY**

**Changes of Benefit Terms**

**Municipal Employees' Retirement System**

No Changes.

**Municipal Police Employees' Retirement System**

No Changes.

**Louisiana Firefighters' Retirement System**

No Changes.

**Louisiana State Employees' Retirement System**

No Changes.

**Changes of Assumptions**

**Municipal Employees' Retirement System**

The investment rate of return and inflation rate decreased from 7.5% to 7.275% and 2.775% to 2.5%, respectively.

**Municipal Police Employees' Retirement System**

The investment rate of return and inflation rate decreased from 7.5% to 7.125% and 2.7% to 2.5%, respectively.

**Louisiana Firefighters' Retirement System**

The investment rate of return and inflation rate decreased from 7.5% to 7.15% and 2.775% to 2.5%, respectively.

**Louisiana State Employees' Retirement System**

The investment rate of return and inflation rate decreased from 7.7% to 7.6% and 2.75% to 2.5%, respectively.

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

## **COMBINING FINANCIAL STATEMENTS**

**CITY OF BAKER, LOUISIANA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	1/2 Cent Special Tax Police	1/2 Cent Special Tax Fire	911 Communications	Marshal/ Police Operations	City Court	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 334,545	\$ 173,119	\$ -	\$ 110,688	\$ 1,513,205	\$ 2,131,557
Receivables - taxes	81,980	81,979	-	-	-	163,959
Restricted assets:						
Cash and cash equivalents	-	-	-	79,741	-	79,741
Investments	-	-	-	-	117,871	117,871
<b>Total Assets</b>	<b>\$ 416,525</b>	<b>\$ 255,098</b>	<b>\$ -</b>	<b>\$ 190,429</b>	<b>\$ 1,631,076</b>	<b>\$ 2,493,128</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 4,087	\$ 54,133	\$ 468	\$ 58,688
Accrued liabilities	-	-	7,545	-	5,543	13,088
Bonds held for future disposition	-	-	-	-	30,629	30,629
Due to litigants	-	-	-	-	213,743	213,743
Due to other funds	-	-	137,254	-	-	137,254
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>148,886</b>	<b>54,133</b>	<b>250,383</b>	<b>453,402</b>
<b>FUND BALANCE</b>						
Restricted	416,525	255,098	(148,886)	29,651	-	552,388
Committed	-	-	-	-	491,356	491,356
Assigned	-	-	-	106,645	889,337	995,982
<b>Total Fund Balance</b>	<b>416,525</b>	<b>255,098</b>	<b>(148,886)</b>	<b>136,296</b>	<b>1,380,693</b>	<b>2,039,726</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 416,525</b>	<b>\$ 255,098</b>	<b>\$ -</b>	<b>\$ 190,429</b>	<b>\$ 1,631,076</b>	<b>\$ 2,493,128</b>

See accompanying independent auditors' report.

**CITY OF BAKER, LOUISIANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	1/2 Cent Special Tax Police	1/2 Cent Special Tax Fire	911 Communications	Marshal/ Police Operations	City Court	Total Non-Major Governmental Funds
<b>REVENUES</b>						
Taxes - sales	\$ 567,660	\$ 390,007	\$ 152,622	\$ -	\$ -	\$ 1,110,289
Charges for services	-	-	-	86,975	83,524	170,499
Criminal fees and fines	-	-	-	65,234	132,435	197,669
Other revenues	-	-	-	525	520	1,045
Investment income	1,342	1,256	-	293	885	3,776
<b>Total Revenues</b>	<b>569,002</b>	<b>391,263</b>	<b>152,622</b>	<b>153,027</b>	<b>217,364</b>	<b>1,483,278</b>
<b>EXPENDITURES</b>						
General government	-	-	-	26,706	-	26,706
Public safety	523,746	283,606	417,183	139,028	152,191	1,515,754
Debt service:						
Principal	-	5,735	-	-	-	5,735
Interest	-	90,477	-	-	-	90,477
<b>Total Expenditures</b>	<b>523,746</b>	<b>379,818</b>	<b>417,183</b>	<b>165,734</b>	<b>152,191</b>	<b>1,638,672</b>
Excess (Deficiency) of Revenues over (under)						
Expenditures/Net Change in Fund Balance	45,256	11,445	(264,561)	(12,707)	65,173	(155,394)
<b>FUND BALANCE</b>						
Beginning of year	371,269	243,653	115,675	149,003	1,315,520	2,195,120
End of year	\$ 416,525	\$ 255,098	\$ (148,886)	\$ 136,296	\$ 1,380,693	\$ 2,039,726

See accompanying independent auditors' report.

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF COMPENSATION PAID TO THE COUNCIL MEMBERS**  
**YEAR ENDED JUNE 30, 2020**

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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 AGENCY HEAD**  
**YEAR ENDED JUNE 30, 2020**

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

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 77,750
Benefits - retirement	21,576
Memberships	200
Registration fees	350
Travel - lodging	<u>536</u>
Total	<u>\$100,412</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

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(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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 05, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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.

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.



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**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

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 05, 2021

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

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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

*Financial Statements*

Type of auditors' report issued:

**Unmodified**

Internal Control Over Financial Reporting:

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

Noncompliance material to financial  
statements noted?

☐ yes      ☒ no

Internal Control Over Federal Programs:

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

Other Conditions:

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

Was a management letter issued

☐ yes      ☒ no

**CITY OF BAKER, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings in current year.

**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, 2020**

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**Audit Finding Reference Number**

**2019-001 – Bank Reconciliation**

**Condition**

During our testwork on cash accounts for the year ended June 30, 2019, we noted the following situations which were also identified in prior year:

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

**Recommendation**

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

**Management Corrective Action Plan**

While the cleared deposits and disbursements were recognized timely, the final reconciliation took additional time for all year end activities to be reported. For the subsequent year, reconciliation will be done inhouse within 30 days following month end but no later than 45 days.

**Disposition:**

The management corrective action plan was implemented to correct the issue of the City's bank reconciliations at a timely manner. In addition to this action plan, outstanding checks are not over the three-year period and therefore properly reflect the procedure guidelines. As a result, the City's cash and cash equivalents are complete, accurate, and properly reflected in the financial statements.

## **CORRECTIVE ACTION PLAN**



**CITY OF BAKER, LOUISIANA  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

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Not applicable since there were no findings or management letter comments in current year.

## **EXIT CONFERENCE**

**CITY OF BAKER, LOUISIANA  
AUDIT STATUS/EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2020**

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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
Honorable Doris Alexander	Council Member – District 4
Honorable Brenda Jackson	Council Member – District 5/Mayor Pro Tem
Attorney Ken Fabre	City Attorney
Mr. Chris Hunt	Interim Administrative Officer
Ms. Mary Sue Stages, CPA	Finance Director

**BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Joseph A. Akanji, CPA	Engagement Partner
Mr. Mohammad Atikur Rahman Bhuyan, MBA	Engagement Staff
Ms. Monique McGary, MBA	Engagement Staff