

CITY OF MINDEN, LOUISIANA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

CITY OF MINDEN, LOUISIANA  
Annual Financial Report  
As of and for the Year Ended September 30, 2016

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# WISE, MARTIN & COLE, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

601 MAIN STREET P.O. BOX 897  
MINDEN, LOUISIANA 71058-0897  
(318) 377-3171  
FAX (318) 377-3177

MICHAEL W. WISE, C.P.A.  
CARLOS E. MARTIN, C.P.A.  
KRISTINE H. COLE, C.P.A.

AMMINI S. KUMAR, C.P.A.  
KRISTIE K. MARTIN, C.P.A.

## MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Tommy Davis, Mayor,  
and the Members of the Board of Aldermen  
City of Minden, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minden, Louisiana, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Minden, Employee Benefit Plan & Trust, which represent 91% and 100%, respectively of the assets and net position of the fiduciary funds. Those financial statements for this fiduciary fund were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Minden, Employee Benefit Plan & Trust Fund is based solely on the reports of the other auditors. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation in the financial statements.

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

### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported within the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, deferred outflows/inflows, net position, revenues, and expenses of the government-wide financial statements has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Minden, Louisiana as of September 30, 2016, or the changes in financial position thereof the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minden, Louisiana, as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, 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, budgetary comparison schedules, condition rating of the City's street system, Schedule of Funding Progress for Other Post Employment Benefit Plan, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Employer Contributions on pages 5-14 and 76-82 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 of Minden, Louisiana's basic financial statements. The other supplementary information on pages 84-88 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 84-88 is the responsibility of management and was 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 other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2017, on our consideration of the City of Minden, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*Wise Martin & Cole LLC*

Minden, Louisiana

March 22, 2017



Tommy Davis, Mayor  
www.mindenusa.com

520 Broadway • P . O . Box 580 • Minden, Louisiana 71058 • Telephone (318) 377-2144 • Fax (318) 371-4200

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Minden, Louisiana's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements, which begin on page 16.

### FINANCIAL HIGHLIGHTS

- The City's net position decreased as a result of this year's operations. The net position of both our governmental and business-type activities decreased by \$1.9 million.
- During the year the City's governmental activities incurred expenses of \$3 million more than the \$7 million generated in tax and other revenues which fund the governmental programs. Last year, expenses exceeded revenues by \$2.9 million.
- The City's revenues increased by \$.9 million compared with the prior year revenues for both the governmental activities and business type activities.
- The total cost of all of the City's programs was approximately \$33.9 million.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 16-17) 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 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 16. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the City's financial health, or *financial position*.

Michael Fluhr  
City Clerk - Treasurer

George W. Rolfe, Jr.  
Public Works Director

Charles Minifield  
City Attorney

Wayne Edwards  
Councilman - District A

Fayrine A. Kennon-Gilbert  
Councilwoman - District B

Vincen Bradford  
Councilman - District C

Mike Toland  
Councilman - District D

Benny Gray  
Councilman - District E





Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

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

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, parks and recreation, sanitation and health, highway and streets, economic development, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and electrical systems are reported here.

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

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes (like street improvements) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (like sales taxes restricted for specific use). The City's two kinds of funds –*governmental* and *proprietary* use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the City's fund balances by law, creditors, City council, and the City's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you 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 governmental *funds* in a reconciliation following the fund financial statements.
- **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 (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## The City as Trustee

The City is the trustee, or fiduciary, for the Police Bond Fund and the Pension Benefit Trust Fund. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 26. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## THE CITY AS A WHOLE

The City's *combined* net position continued to decrease by \$1.9 million. In contrast, last year net position decreased by \$1.0 million. Looking at net position and net expenses of governmental and business-type activities separately, however, provides more detail. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

(Table 1)  
Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 7,123,739	\$ 8,105,973	\$ 15,033,599	\$ 13,046,527	\$ 22,157,338	\$ 21,152,500
Capital assets	<u>22,753,528</u>	<u>22,647,659</u>	<u>19,663,517</u>	<u>19,531,436</u>	<u>42,417,045</u>	<u>42,179,095</u>
Total assets	<u>29,877,267</u>	<u>30,753,632</u>	<u>34,697,116</u>	<u>32,577,963</u>	<u>64,574,383</u>	<u>63,331,595</u>
Deferred outflows	<u>3,030,139</u>	<u>1,749,755</u>	<u>1,296,167</u>	<u>966,998</u>	<u>4,326,306</u>	<u>2,716,753</u>
Other liabilities	835,603	413,354	2,691,044	1,959,703	3,526,647	2,373,057
Long-term liabilities	<u>16,952,283</u>	<u>15,362,218</u>	<u>8,125,231</u>	<u>5,799,774</u>	<u>25,077,514</u>	<u>21,161,992</u>
Total liabilities	<u>17,787,886</u>	<u>15,775,572</u>	<u>10,816,275</u>	<u>7,759,477</u>	<u>28,604,161</u>	<u>23,535,049</u>
Deferred inflows	<u>600,203</u>	<u>857,744</u>	<u>162,092</u>	<u>190,868</u>	<u>762,295</u>	<u>1,048,612</u>
Net position:						
Invested in capital assets, net of related debt	20,669,055	20,159,722	17,996,381	19,531,436	38,665,436	39,691,158
Restricted	3,595,947	3,550,091	70,150	87,033	3,666,097	3,637,124
Unrestricted	<u>(9,745,685)</u>	<u>(7,839,742)</u>	<u>6,948,385</u>	<u>5,976,147</u>	<u>(2,797,300)</u>	<u>(1,863,595)</u>
Total net position	<u>\$ 14,519,317</u>	<u>\$ 15,870,071</u>	<u>\$ 25,014,916</u>	<u>\$ 25,594,616</u>	<u>\$ 39,534,233</u>	<u>\$ 41,464,687</u>

The largest portion of the City of Minden's net position totaling approximately \$38.7 million (97.80%) reflects its investment in capital assets (e.g. land, buildings, streets, drainage, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Minden uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Minden's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Governmental Activities – Net Position

Expenses of the governmental activities exceeded the revenues generated by taxes and other program revenues by \$3.0 million. This deficit was partially funded with transfers of money from the City's utility fund, however, net position was reduced by approximately \$1.4 million.

The restricted net position of the governmental activities represents the portion of net position that is not available to finance the day-to-day operations. The use of restricted assets is subject to constraints established by a voter-approved city ordinance. Restricted net position increased by \$28,973 to a total of \$3.7 million, a majority of which is available to finance specific funding for sewer and recreational activities.

#### **Business-type Activities – Net Position**

There was a \$2.1 million increase in the total assets of the business-type activities. This increase is in part due to the additional \$1.0 million in inventory held at year from uninstalled water and electric meters and additional \$1.26 million in construction costs related to the installation of the water and electric meters.

The City reported a \$3.0 million increase in total liabilities largely due to additional financing through a \$1.7 million capital lease used to finance a portion of the costs of the water and electric meter installation project. Other major increases to liabilities occurred due to \$.5 million in owed for the purchase of power, additional \$.5 million in pension obligations, and additional \$.1 million in other post employment benefit obligations.

#### **Governmental activities**

Our analysis that follows separately considers the operations of governmental and business-type activities. While sales tax revenues decreased by over \$328,000, the total revenues for governmental activities were \$0.9 million higher than last year. This is mainly from an increase in the amount of capital grants received this year to fund airport improvements.

Governmental expenses increased by approximately \$1 million. A large portion of this increase occurred within the area of public safety which included an additional \$345,000 expense over prior year estimates to settle payroll calculation errors discovered in the prior year. The costs of insurance and retirement recognized in the governmental activities continue to increase.

#### **Business-type activities**

This past year, revenues exceeded expenses for business-type activities by \$1.1 million. After transferring approximately \$1.67 million to the City's general fund to fund its deficit, the net position of the City's business type activities decreased by over \$579,000.

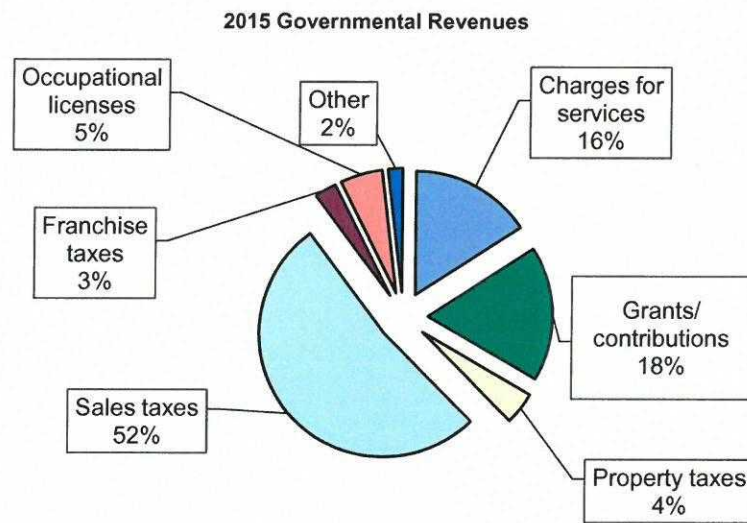
The City's total revenues increased by \$.9 million compared to last year's revenues. The increase was due to a \$.4 million increase in charges related to the fuel adjustment portion of customer's electric bills, as well as increased charges for sewer and water of approximately \$.2 million each.

The total cost of all programs was approximately \$20.4 million, with 76% of the cost occurring within the electric department. The cost of programs increased by \$1.7 million which was mainly due to additional \$1.4 million in purchase of power costs, as well as increases in the costs of insurance and retirement recognized in the business-type activities.

**(Table 2)**  
**Changes in Net Position**

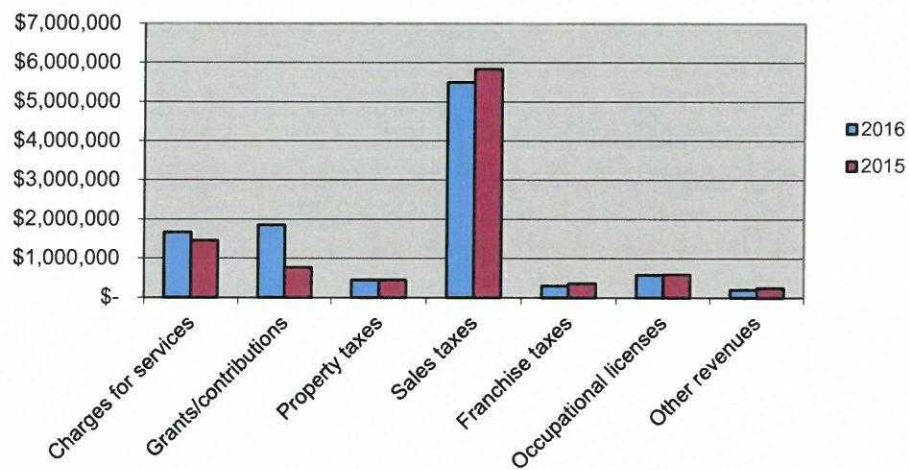
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Primary Government</b>	
<b>Revenues</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Program revenues:						
Charges for services	\$ 1,666,601	\$ 1,451,869	\$ 20,849,733	\$ 19,977,785	\$ 22,516,334	\$ 21,429,654
Operating grants/contributions	737,102	610,869	66,695	66,622	803,797	677,491
Capital grants/contributions	1,114,594	157,273	-	108,008	1,114,594	265,281
General revenues						
Property taxes	445,963	442,316	-	-	445,963	442,316
Sales taxes	5,499,352	5,827,717	-	-	5,499,352	5,827,717
Franchise taxes	296,448	353,354	-	-	296,448	353,354
Occupational licenses	574,632	580,410	-	-	574,632	580,410
Other general revenues	<u>199,986</u>	<u>239,447</u>	<u>569,624</u>	<u>438,849</u>	<u>769,610</u>	<u>678,296</u>
Total revenues	<u>10,534,678</u>	<u>9,663,255</u>	<u>21,486,052</u>	<u>20,591,264</u>	<u>32,020,730</u>	<u>30,254,519</u>
<b>Program expenses</b>						
General government	3,511,975	3,308,492	-	-	3,511,975	3,308,492
Public safety	5,260,445	4,514,955	-	-	5,260,445	4,514,955
Highway and streets	1,225,354	1,119,623	-	-	1,225,354	1,119,623
Sanitation and health	872,785	925,689	-	-	872,785	925,689
Parks and recreation	2,084,294	1,980,697	-	-	2,084,294	1,980,697
Public works	517,293	621,643	-	-	517,293	621,643
Interest on long-term debt	81,133	85,137	-	-	81,133	85,137
Water	-	-	1,960,732	1,914,458	1,960,732	1,914,458
Sewer	-	-	1,595,445	1,671,655	1,595,445	1,671,655
Electric	-	-	15,583,982	13,962,542	15,583,982	13,962,542
Other	<u>-</u>	<u>-</u>	<u>1,257,746</u>	<u>1,159,920</u>	<u>1,257,746</u>	<u>1,159,920</u>
Total expenses	<u>13,553,279</u>	<u>12,556,236</u>	<u>20,397,905</u>	<u>18,708,575</u>	<u>33,951,184</u>	<u>31,264,811</u>
Excess (deficiency) before transfers	(3,018,601)	(2,892,981)	1,088,147	1,882,689	(1,930,454)	(1,010,292)
Transfers	<u>1,667,847</u>	<u>2,833,901</u>	<u>(1,667,847)</u>	<u>(2,833,901)</u>	<u>-</u>	<u>-</u>
Change in net position	(1,350,754)	(59,080)	(579,700)	(951,212)	(1,930,454)	(1,010,292)
Net position, beginning, as originally stated	15,870,071	23,578,068	25,594,616	29,852,232	41,464,687	53,430,300
Prior period adjustment	<u>-</u>	<u>(7,648,917)</u>	<u>-</u>	<u>(3,306,404)</u>	<u>-</u>	<u>(10,955,321)</u>
Net position, beginning, restated	<u>15,870,071</u>	<u>15,929,151</u>	<u>25,594,616</u>	<u>26,545,828</u>	<u>41,664,687</u>	<u>42,474,979</u>
Net position, end of year	\$ <u>14,519,317</u>	\$ <u>15,870,071</u>	\$ <u>25,014,916</u>	\$ <u>25,594,616</u>	\$ <u>39,534,233</u>	\$ <u>41,464,687</u>

The following chart displays the various types of governmental revenues and their respective percentage of total governmental revenues received as of September 30, 2016:

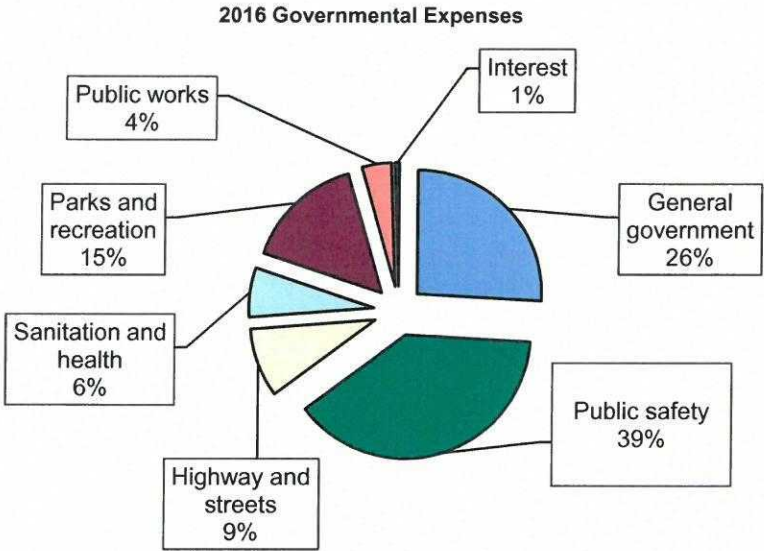


The chart below compares governmental revenues of the current year to the prior year.

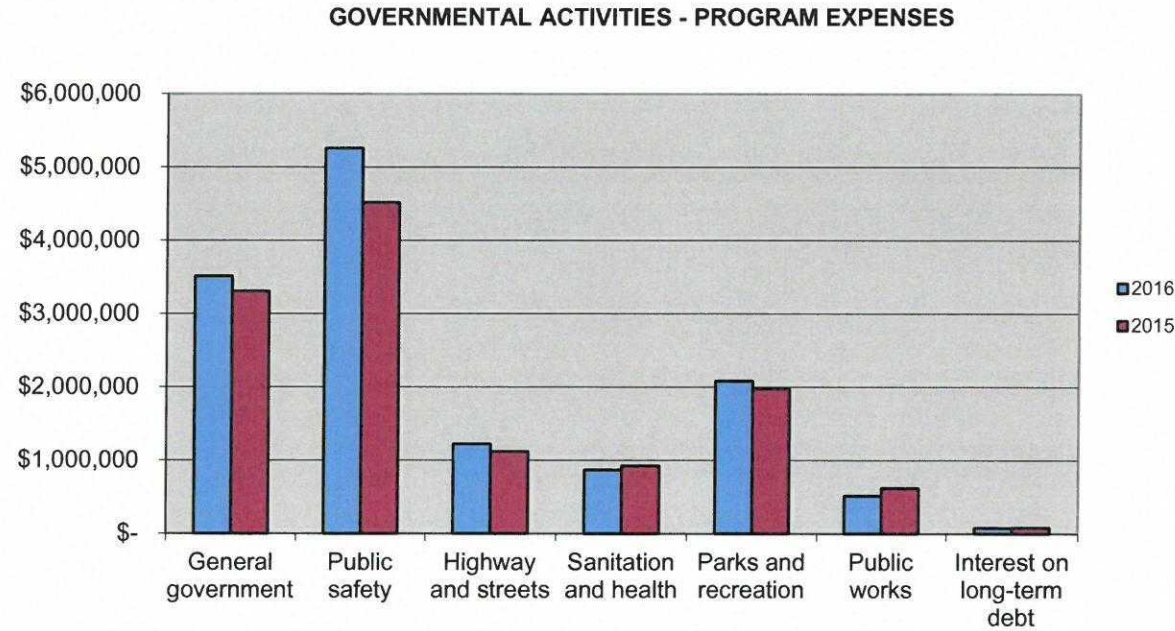
**Comparison of current year and prior year governmental activity revenues**



The following chart displays the various types of governmental activity expenses and their respective percentage of total governmental expense received as of September 30, 2016:



The City's largest program expenses during the current year were public safety and general government, which are 39% and 26% of the total governmental type program expense in the current year, respectively. The chart below compares program expenses of the current year to the prior year.



## **THE CITY'S FUNDS**

**Governmental funds** – The focus of the City of Minden's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City of Minden's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$6,176,044, a decreasing \$1.4 million, in contrast to the \$.8 million surplus reported in the prior year.

City revenues increased by approximately \$.9 million, due to grant revenues funding the airport project improvements for the current year. City expenditures increased from \$12.1 million to \$13.4 million. This year the City reported expenditures related to operating the economic development program for a whole year, additional expenditures to settle payroll errors within employees of the fire and police departments, and additional expenditures for airport improvements and purchases of vehicles during the year.

**Proprietary funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

While the Sewer Plant Sales Tax Fund transferred in approximately \$1.1 million to the utility fund, those resources are restricted to assist funding the costs of sewerage activities. Approximately \$1.7 million was transferred from the utility fund to the general fund to assist funding of the City's general fund activities, which includes operating the administrative, civic center, city court, building inspector, and main street programs. The amount transferred to the general fund was approximately \$1.2 million less than the amount transferred in the prior year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, the City Council amended the general fund budget one time on September 8, 2016.

The amendment to the General Fund budget was made to reduce originally budgeted expenses by \$50,000 for reduction in airport fuel expenses.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of September 30, 2016, the City had \$42,417,043 invested in capital assets including police and fire equipment, buildings, park facilities, water, sewer and electric lines. This amount represents an increase of approximately \$238,000 in investments in capital assets.

### City of Minden's Capital Assets at Year-end (Net of Depreciation)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,942,729	\$ 1,942,729	\$ 322,342	\$ 332,065	\$ 2,265,071	\$ 2,274,794
Construction in progress	1,177,082	155,130	1,310,570	40,019	2,487,652	195,149
Building and improvements	10,740,231	11,127,648	4,702,854	5,075,075	15,443,085	16,202,723
Land improvements other than buildings	5,345,222	5,621,395	11,937,438	12,677,056	17,282,660	18,298,451
Equipment	1,248,306	1,372,986	1,390,313	1,407,221	2,638,619	2,780,207
Infrastructure	<u>2,299,958</u>	<u>2,427,771</u>	<u>-</u>	<u>-</u>	<u>2,299,958</u>	<u>2,427,771</u>
Totals	<u>\$22,753,528</u>	<u>\$22,647,659</u>	<u>\$19,663,517</u>	<u>\$19,531,436</u>	<u>\$42,417,045</u>	<u>\$42,179,095</u>

Major construction projects undertaken by the City include the following:

	Costs incurred during <u>09/30/2016</u>	Completed cost <u>of project</u>	Total donation/grant <u>award</u>
Water and electric meters	\$ 1,270,551	Not completed	
Airport – Fuel facility	372,796	Not completed	\$ 339,764*
Airport Design of Terminal	<u>649,156</u>	Not completed	\$ 592,910*
	<u>\$ 2,292,503</u>		

*\* The City was awarded federal and state grants to reimburse all or a portion of the cost of the projects as expenses are incurred.*

Only bridges owned by the City are capitalized as infrastructure. The City has elected to report its system of streets under the modified approach. Neither their historical cost nor related depreciation has been reported in the financial statements. There were no significant changes in the assessed condition of infrastructure assets eligible under the modified approach. The current assessed condition of roads is comparative with the condition level the City has established.



## Debt

At year-end, the City had \$1,640,000 in debt as compared to \$1,940,000 last year.

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds (backed by taxes & City)	\$ 1,640,000	\$ 1,940,000	\$ -	\$ -	\$ 1,640,000	\$ 1,940,000

More detailed information about the City's long-term liabilities is presented in Note 12 to the financial statements.

## COMPONENT UNITS

The City has chosen not to include the following component units in the basic financial statements: City Court of Minden and Minden Ward Marshal. Separate financial statements for each of these component units can be obtained by contacting the component unit.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic situation for the City of Minden has not improved and the best indicator here fore is a stagnant sale tax below expectations. However, the City was able to maintain anticipated service levels, preserve the current staff levels and conserve financial reserves. The projected operating budget for FY2016/2017 will be overall comparable to the prior year's budget based on the same utility rates, continued low interest revenues in investments and dominated by substantial expenditures related to personnel (health care and retirement).

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk's office at 520 Broadway, Minden, Louisiana.

## **BASIC FINANCIAL STATEMENTS**

## STATEMENT A

**CITY OF MINDEN, LOUISIANA**  
**Statement of Net Position**  
**September 30, 2016**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,707,464	\$ 4,507,266	\$ 8,214,730
Investments	2,286,550	4,370,953	6,657,503
Receivables	569,716	3,319,988	3,889,704
Due from other governments	435,601	7,823	443,424
Internal balances	26,821	(19,320)	7,501
Inventory	49,437	2,068,791	2,118,228
Prepays	48,150	24,691	72,841
Restricted assets - noncurrent:			
Cash and cash equivalents	-	749,233	749,233
Investments	-	4,174	4,174
Capital assets:			
Land and construction in progress	3,119,811	1,632,912	4,752,723
Depreciable capital assets, net of depreciation	<u>19,633,717</u>	<u>18,030,605</u>	<u>37,664,322</u>
<b>TOTAL ASSETS</b>	<u>29,877,267</u>	<u>34,697,116</u>	<u>64,574,383</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	65,764	-	65,764
Deferred outflows on pensions	<u>2,964,375</u>	<u>1,296,167</u>	<u>4,260,542</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,030,139</u>	<u>1,296,167</u>	<u>4,326,306</u>
<b>LIABILITIES</b>			
Accounts, salaries and other payables	794,541	1,971,660	2,766,201
Interest payable	19,596	36,127	55,723
Deposits payable	-	683,257	683,257
Unearned revenue	21,466	-	21,466
Long-term liabilities			
Due within one year	452,028	171,860	623,888
Due in more than one year	<u>16,500,255</u>	<u>7,953,371</u>	<u>24,453,626</u>
<b>TOTAL LIABILITIES</b>	<u>17,787,886</u>	<u>10,816,275</u>	<u>28,604,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	<u>600,203</u>	<u>162,092</u>	<u>762,295</u>
<b>NET POSITION</b>			
Net investment in capital assets	20,669,055	17,996,381	38,665,436
Restricted for:			
Sewerage, recreational facilities, and related debt service	3,572,753	-	3,572,753
Drug enforcement activities	23,194	-	23,194
Utility meter deposits	-	70,150	70,150
Unrestricted	<u>(9,745,685)</u>	<u>6,948,385</u>	<u>(2,797,300)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 14,519,317</u>	<u>\$ 25,014,916</u>	<u>\$ 39,534,233</u>

The accompanying notes are an integral part of this statement.

**CITY OF MINDEN, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue	Net (Expenses) Revenues and Changes of Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions		Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ (3,511,975)	\$ 167,742	\$ 76,378	\$ -	\$ (3,267,855)	\$ (3,267,855)	\$ -	\$ (3,267,855)
Public safety	(5,260,445)	118,301	616,010	-	(4,526,134)	(4,526,134)	-	(4,526,134)
Highway and streets	(1,225,354)	-	27,645	116,200	(1,081,509)	(1,081,509)	-	(1,081,509)
Sanitation and health	(872,785)	1,087,432	1,447	-	216,094	216,094	-	216,094
Parks and recreation	(2,084,294)	85,099	13,983	29,405	(1,955,807)	(1,955,807)	-	(1,955,807)
Public works	(517,293)	208,027	1,639	968,989	661,362	661,362	-	661,362
Interest on long-term debt	(81,133)	-	-	-	(81,133)	(81,133)	-	(81,133)
Total governmental activities	(13,553,279)	1,666,601	737,102	1,114,594	(10,034,982)	(10,034,982)	-	(10,034,982)
Business-type activities:								
Water	(1,960,732)	2,193,564	13,291	-	246,123	-	246,123	246,123
Sewer	(1,595,445)	1,087,907	11,050	-	(496,488)	-	(496,488)	(496,488)
Electric	(15,583,982)	17,568,262	26,604	-	2,010,884	-	2,010,884	2,010,884
Other	(1,257,746)	-	15,750	-	(1,241,996)	-	(1,241,996)	(1,241,996)
Total business-type activities	(20,397,905)	20,849,733	66,695	-	518,523	-	518,523	518,523
Total primary government	\$ (33,951,184)	\$ 22,516,334	\$ 803,797	\$ 1,114,594	\$ (9,516,459)	\$ (10,034,982)	\$ 518,523	\$ (9,516,459)
General revenues:								
Property taxes levied for general purposes						445,963	-	445,963
Sales taxes						5,499,352	-	5,499,352
Franchise taxes						296,448	-	296,448
Occupational licenses						574,632	-	574,632
Grants and contributions not restricted to specific programs						4,087	63,682	67,769
Investment earnings						22,850	33,961	56,811
Other general revenues						173,049	471,981	645,030
Transfers						1,667,847	(1,667,847)	-
Total general revenues and transfers						8,684,228	(1,098,223)	7,586,005
Change in net position						(1,350,754)	(579,700)	(1,930,454)
Net position-beginning						15,870,071	25,594,616	41,464,687
Net position-ending						\$ 14,519,317	\$ 25,014,916	\$ 39,534,233

The accompanying notes are an integral part of this statement.

## CITY OF MINDEN, LOUISIANA

## Balance Sheet

## Governmental Funds

September 30, 2016

	General Fund	Sales Tax Fund	Sales Tax - Sewerage Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 643,660	\$ 1,052,694	\$ 1,706,703	\$ 304,407	\$ 3,707,464
Investments	629,856	326,654	756,702	573,338	2,286,550
Receivables	92,112	237,759	237,759	2,086	569,716
Due from other funds	26,821	-	-	-	26,821
Due from other governments	435,601	-	-	-	435,601
Inventory	49,437	-	-	-	49,437
TOTAL ASSETS	<u>\$ 1,877,487</u>	<u>\$ 1,617,107</u>	<u>\$ 2,701,164</u>	<u>\$ 879,831</u>	<u>\$ 7,075,589</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts, salaries, and other payables	\$ 805,448	\$ -	\$ -	\$ -	\$ 805,448
Unearned revenue	21,466	-	-	-	21,466
	<u>\$ 826,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,914</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	72,631	-	-	-	72,631
FUND BALANCES					
Nonspendable	49,437	-	-	-	49,437
Restricted	-	-	2,701,164	871,589	3,572,753
Assigned	-	1,617,107	-	8,242	1,625,349
Unassigned	928,505	-	-	-	928,505
TOTAL FUND BALANCES	<u>977,942</u>	<u>1,617,107</u>	<u>2,701,164</u>	<u>879,831</u>	<u>6,176,044</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES. AND FUND BALANCES	<u>\$ 1,877,487</u>	<u>\$ 1,617,107</u>	<u>\$ 2,701,164</u>	<u>\$ 879,831</u>	<u>\$ 7,075,589</u>

The accompanying notes are an integral part of this statement.

## CITY OF MINDEN, LOUISIANA

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position**

September 30, 2016

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

Fund balances, total governmental funds (Statement C)	\$ 6,176,044
Some receivables are not available to pay the current period expenditures and, therefore are deferred in the fund financial statements	72,631
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements	22,753,527
Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the fund financial statements	
Prepaid assets	48,150
Deferred outflows/inflows related to pensions are not due and payable in the current period and accordingly not recorded in the fund financial statements	
Deferred outflows on pensions	2,964,375
Deferred inflows on pensions	(600,203)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term are reported in the Statement of Net Position.	
Accrued interest payable	\$ (19,596)
Compensated absences	(370,424)
Bonds payable	(1,640,000)
less: deferred charge on refunding	65,764
Capital lease obligation	(444,473)
Claims payable	(25,000)
Pension liability	(10,195,309)
OPEB obligation	(4,266,169)
	<u>(16,895,207)</u>
Net position of governmental activities (Statement A)	<u>\$ 14,519,317</u>

The accompanying notes are an integral part of this statement.

## STATEMENT E

## CITY OF MINDEN, LOUISIANA

Statement of Revenues, Expenditures and  
and Changes in Fund Balances  
Governmental Funds

For the Year Ended September 30, 2016

	General Fund	Sales Tax Fund	Sales Tax - Sewerage Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Ad valorem	\$ 451,881	\$ -	\$ -	\$ -	\$ 451,881
Sales and use	-	2,749,827	2,749,526	-	5,499,353
Licenses and permits	576,774	-	-	-	576,774
Fees and rentals	584,857	-	-	-	584,857
Charges for services	1,256,501	-	-	-	1,256,501
Intergovernmental revenues:					
Federal grants	147,379	-	-	-	147,379
State/Parish	1,426,974	-	-	-	1,426,974
Other	90,012	-	-	-	90,012
Fines and forfeitures	108,450	-	-	10,389	118,839
Investment earnings	5,345	6,226	6,463	4,816	22,850
Other revenues	190,717	-	-	136	190,853
Total revenues	<u>4,838,890</u>	<u>2,756,053</u>	<u>2,755,989</u>	<u>15,341</u>	<u>10,366,273</u>
<b>EXPENDITURES</b>					
General government	2,992,529	52,444	51,583	-	3,096,556
Public safety	5,024,959	-	-	13,396	5,038,355
Highways and streets	995,067	-	-	-	995,067
Sanitation and health	865,018	-	-	-	865,018
Parks and recreation	1,696,100	-	-	-	1,696,100
Public works	1,322,270	-	-	-	1,322,270
Debt service	97,880	-	-	351,275	449,155
Total expenditures	<u>12,993,823</u>	<u>52,444</u>	<u>51,583</u>	<u>364,671</u>	<u>13,462,521</u>
Excess (deficiency) of revenues over (under) expenditures	(8,154,933)	2,703,609	2,704,406	(349,330)	(3,096,248)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	7,746,241	-	-	356,300	8,102,541
Transfers out	-	(3,424,979)	(2,954,227)	-	(6,379,206)
Total other financing sources (uses)	<u>7,746,241</u>	<u>(3,424,979)</u>	<u>(2,954,227)</u>	<u>356,300</u>	<u>1,723,335</u>
Net change in fund balance	(408,692)	(721,370)	(249,821)	6,970	(1,372,913)
Fund balances - beginning	<u>1,386,634</u>	<u>2,338,477</u>	<u>2,950,985</u>	<u>872,861</u>	<u>7,548,957</u>
Fund balances - ending	<u>\$ 977,942</u>	<u>\$ 1,617,107</u>	<u>\$ 2,701,164</u>	<u>\$ 879,831</u>	<u>\$ 6,176,044</u>

The accompanying notes are an integral part of this statement.

## CITY OF MINDEN, LOUISIANA

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Year Ended September 30, 2016**

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

Net change in fund balances, total governmental funds, Statement E		\$ (1,372,913)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		109,885
Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the fund financial statements		(21,670)
The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the fund financial statements are the amounts actually paid.		(221,492)
The Statement of Activities reflects the effects of other post-employment benefits, which is based on an actuarial amount that is increased over an amortized period and decreased for amounts actually paid during the year. The governmental funds reflect only the payments made as current year expenditures. This year, the change in OPEB liability was:		(340,635)
The Statement of Activities recognizes compensated absences (vacations and sick leave) by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used, essentially the amounts actually paid. This year, the change in compensated absences was:		(47,267)
The issuance of long-term debt (bonds, capital leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		385,990
Other expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Prepaid assets	\$	611
Accrued interest on long-term debt		(22,583)
Claims		<u>179,320</u>
		<u>157,348</u>
Change in net position of governmental activities, Statement B		<u>\$ (1,350,754)</u>

The accompanying notes are an integral part of this statement.



# STATEMENT G

## CITY OF MINDEN, LOUISIANA Statement of Net Position, Proprietary Funds September 30, 2016

	Business Type Activities - <u>Enterprise Funds</u> <u>Utility Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,507,266
Investments	4,370,953
Accounts receivable, net of allowance	3,319,988
Due from other governments	7,823
Due from other funds	118,534
Inventory	2,068,791
Prepays	24,691
Total current assets	<u>14,418,046</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing bank deposits	749,233
Investment	4,174
Capital assets (net of accumulated depreciation)	<u>19,663,517</u>
Total noncurrent assets	<u>20,416,924</u>
Total assets	<u>34,834,970</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows on pensions	<u>1,296,167</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,865,827
Accrued payroll	105,833
Accrued interest	36,127
Due to other funds	137,854
Compensated absences	26,250
Capital lease obligations	145,610
Total current liabilities	<u>2,317,501</u>
Current liabilities payable from restricted assets	683,257
Noncurrent liabilities:	
Compensated absences payable	207,012
Capital lease obligations	1,521,526
Other postemployment benefit payable	1,713,064
Net pension liability	<u>4,511,769</u>
Total noncurrent liabilities	<u>7,953,371</u>
Total liabilities	<u>10,954,129</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows on pensions	<u>162,092</u>
<b>NET POSITION</b>	
Invested in capital assets	17,996,381
Restricted for meter deposits	70,150
Unrestricted	<u>6,948,385</u>
Total net position	<u>\$ 25,014,916</u>

The accompanying notes are an integral part of this statement.

**CITY OF MINDEN, LOUISIANA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**

	Business Type Activities - <u>Enterprise Funds</u> <u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	
Electric	\$ 17,568,262
Water	2,193,564
Sewerage	1,087,907
Penalties/service charges	334,778
Other revenues	166,070
Total operating revenues	<u>21,350,581</u>
OPERATING EXPENSES	
Purchase of power	11,769,799
Personnel services	2,918,839
Materials and supplies	1,076,866
Insurance claims and expenses	913,043
Repairs and maintenance	1,157,272
Other services and charges	1,098,977
Bad debt expenses	135,049
Depreciation	1,284,332
Total operating expenses	<u>20,354,177</u>
Operating income	996,404
NONOPERATING REVENUES (EXPENSES)	
Interest income	33,961
Grant - intergovernmental	34,234
Sale of capital assets	67,276
Investment expenses	(7,601)
Interest expense	(36,127)
Total nonoperating revenues and expenses	<u>91,743</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,088,147
Capital contribution	55,488
Transfers in	1,728,147
Transfers out	(3,451,482)
Total transfers	<u>(1,723,335)</u>
CHANGE IN NET POSITION	(579,700)
Net position - beginning	<u>25,594,616</u>
Net position - ending	<u>\$ 25,014,916</u>

The accompanying notes are an integral part of this statement.

**CITY OF MINDEN, LOUISIANA**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	Business Type Activities - <u>Enterprise Funds</u> <u>Utility Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 21,190,598
Other operating cash receipts	164,030
Cash payments for supplies and services	(16,488,831)
Cash payments to employees for service	(2,657,051)
Net cash provided by operating activities	<u>2,208,746</u>
<b>Cash flows from noncapital financing activities:</b>	
Interfund transfer	(1,331,504)
Interfund loan	(70,478)
Net increase in meter deposits	16,740
Net cash (used) for noncapital financing activities	<u>(1,385,242)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(1,289,069)
Proceeds from sale of capital assets	77,000
Capital grants	94,965
Net cash (used) for capital and related financing activities	<u>(1,117,104)</u>
<b>Cash flows from investing activities:</b>	
Interest on interest-bearing deposits	<u>2,328</u>
Net cash provided by investing activities	<u>2,328</u>
<b>Cash flows from financing activities:</b>	
Proceeds from capital lease obligation	<u>1,667,136</u>
Net cash provided by financing activities	<u>1,667,136</u>
Net (decrease) in cash and cash equivalents	1,375,864
Cash and cash equivalents at beginning of year	<u>3,880,635</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,256,499</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT I**

	Business Type Activities -
	<u>Enterprise Funds</u>
	<u>Utility Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 996,404
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,284,332
Bad debt	135,049
Changes in assets and liabilities -	
Decrease (increase) in accounts receivable	(95,721)
Decrease (increase) in accounts receivable - other	(8,538)
Decrease (increase) in inventory	(1,080,455)
Decrease (increase) prepaids	2,625
Decrease (increase) deferred outflows	(329,169)
Increase (decrease) in accounts payable	546,920
Increase (decrease) in interfund payable	72,266
Increase (decrease) in accrued compensated absences	25,986
Increase (decrease) deferred inflows	(28,776)
Increase (decrease) retirement payable	559,387
Increase (decrease) in net OPEB obligation	<u>128,436</u>
Net cash provided by operating activities	<u>\$ 2,208,746</u>

## STATEMENT J

**CITY OF MINDEN, LOUISIANA**  
**Statement of Fiduciary Net Position**  
**September 30, 2016**

	Pension Trust Funds (3/31/16)	Agency Fund - Police Bond Fund
ASSETS		
Cash	\$ 277,279	\$ 33,310
Receivables:		
A/R - net of allowance	-	-
Insurance company receivable	47,847	-
Refunds receivable	-	-
Total assets	<u>\$ 325,126</u>	<u>\$ 33,310</u>
LIABILITIES		
Claims payable	\$ 81,230	\$ -
Claims incurred but not reported	749,105	-
Due to the general fund	-	7,501
Due to other governmental units	-	25,809
Total liabilities	<u>830,335</u>	<u>33,310</u>
(DEFICIT) OF NET POSITION FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ (505,209)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF MINDEN, LOUISIANA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**For the Year Ended March 31, 2016**

NET INCREASE IN BENEFIT OBLIGATIONS

Increase during the year attributable to:

Claims payable	\$ 12,650
Claims incurred but not reported	<u>462,323</u>

NET INCREASE IN BENEFIT OBLIGATIONS	<u>474,973</u>
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NET (DECREASE) IN NET POSITION AVAILABLE FOR BENEFITS

Additions to plan assets attributable to:

Sponsor contributions	1,967,054
Participant contributions	539,856
Retiree contributions	135,914
Insurance company reimbursements	361,855
Interest income	<u>199</u>
TOTAL ADDITIONS	<u>3,004,878</u>

Deductions from plan assets attributable to:

Benefits paid to participants	2,256,842
Payments for insurance premiums	651,559
Administrative expenses	<u>69,053</u>

TOTAL DEDUCTIONS	<u>2,977,454</u>
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NET (DECREASE) IN NET POSITION AVAILABLE FOR BENEFITS	<u>27,424</u>
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(DECREASE) IN EXCESS OF NET POSITION AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	(447,549)
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(DEFICIT) OF NET POSITION AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS

BEGINNING OF YEAR	<u>(57,660)</u>
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END OF YEAR	<u><u>\$ (505,209)</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Minden, Louisiana (the City) was incorporated in 1928, under the provisions of Act No. 226 of the 1928 Special Acts of Louisiana Legislature. The City is located in the Parish of Webster in the northwest corner of the State of Louisiana. Elected officials of the City of Minden are a mayor, five (5) aldermen, and a chief of police, all of whom serve four-year terms. The affairs of the City are conducted and managed by the mayor and board of aldermen, referred to as "The Council." The City provides a full range of municipal services as authorized by its charter. These include public safety (police and fire), street, water, electric, sewerage, sanitation and health, zoning and general administrative services.

The City is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* establishes criteria for determining the governmental reporting entity and component units that should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

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

Based on the aforementioned criteria, the City has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
City Court of Minden	December 31	2 and 3
Minden Ward Marshal	December 31	2 and 3

The City has chosen not to include the component units listed above in the basic financial statements. Separate financial statements for each of these component units can be obtained by contacting the component unit.

The financial activity of the Minden Historic Downtown Development District Commission is reported within the

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

City's general fund. The Commission is not reported as a component unit of the City because they do not have separate corporate powers that would distinguish them as being legally separate from the primary government, primarily due to the fact that the Commission does not have the right to buy, sell, lease and mortgage property in its own name. Furthermore, it was determined that the City holds the Commission's corporate powers.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units except for the inclusion of the component units as discussed above.

Other related organizations

The Minden Housing Authority - The Authority provides housing to certain qualified residents and is funded by the U.S. Government grants and rental charges. The City is not responsible for financing deficits nor entitled to surpluses. The City does not significantly influence operational or fiscal matters of the Authority. The Minden Housing Authority is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. The Statement of Net Position and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements.

Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported separately in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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.

Program revenues Program revenues included in the Statement of Activities 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.



CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

Allocation of indirect expenses The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Revenues from expenditure-driven grants are considered to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Revenues

- Ad valorem taxes (property) are recorded in the year they are assessed. Property taxes are assessed on a calendar-year basis and become due on the date November 15 of each year and become delinquent on December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.
- Sales taxes are recognized when received by the City's collections agent, the Webster Parish Sales & Use Tax Commission.
- Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year end.)
- Fines, forfeitures, licenses and permits are considered measurable and available when they are collected.
- Interest income on investments is recorded when earned and the income is available.
- Substantially all other revenue items are recorded when they are considered to be measurable and available to the City.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

is incurred, except for principal and interest on general long-term obligations, which are recognized when due.

Other Financing Sources (Uses)

Sales of fixed assets, increases in capital lease purchases, and transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) and are recognized when the underlying events occur.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are from charges for electrical, water and sewerage services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Funds**

The accounts of the City are organized and operated on the basis of funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The governmental funds are divided into separate "fund types." Governmental funds are used to account for government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sales Tax Fund accounts for the receipt and use of the municipality's one percent (1%) sales and use tax under the provisions of the sales and use tax ordinance effective August 1, 1967.

The Sales Tax Fund – Sewerage System Fund accounts for the receipt and use of the municipality's one percent (1%) sales and use tax under the provisions of the sales and use tax ordinance effective December 1, 1984. By special election held April 15, 2000, the City rededicated and renewed the levy of this one percent (1%) sales and use tax.

The municipality reports the following major proprietary funds:

The Utility Fund is used to account for electric, water and sewer service operations that are financed and operated in a manner similar to private business enterprise. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the government reports the following fund types:

Agency Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension (and other employee benefit) Trust Fund is used to report resources and activities when the City is acting as a trustee for individuals. The Pension Trust Fund is used to account for medical, dental, vision, life and accidental death benefits covering substantially all employees.

#### **D. Deposits and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statements of cash flows, cash and cash equivalents include cash, demand deposits, and certificates of deposit with an original maturity of less than 90 days. Cash and cash equivalents are stated at cost.

Louisiana Revised Statutes and the City's investment policy govern the types of allowable securities to be purchased by the municipality. The City of Minden is authorized to invest in the following types of investments:

- 1) Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
- 2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S.
- 3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored
- 4) Collateralized mortgage obligations, which have not been stripped into interest only or principal only obligations
- 5) Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the state of Louisiana

These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Long-term investments, those with original maturities greater than one (1) year, are valued at the last reported sales price at current exchange rates.

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

**E. Receivables and Payables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, ad valorem taxes, franchise taxes, and grants. Business-type activities report utilities as their major receivable. An allowance for uncollectible receivables is maintained, however, if amounts become uncollectible, in the opinion of management, they are charged to operations at that time.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants and other intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned and only if paid within 30 days, when considered both measurable and available.

**F. Elimination and Reclassification**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utility fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**G. Inventories and Prepaid Items**

Inventory items are valued using the weighted average method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide financial statements.

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

Inventories in each fund are generally composed of the following items:

General Fund - Gasoline

Enterprise Fund - Electric, water and sewer repair and maintenance items

**H. Restricted Assets**

Restricted assets include cash and investments of the Utility Fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 acquisition value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated <u>Lives</u>
Roads, bridges, and infrastructure	25-50 years
Land improvements	10-30 years
Buildings and building improvements	10-40 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	5-15 years

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Infrastructure being reported on includes bridges owned by the City during the current year. Of the remaining infrastructure, neither the historical cost nor related depreciation has historically been reported in the financial statements. The City has elected to report its system of streets under the modified approach.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

The Statement of Net Position reports the deferred charges on refunding as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value or refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Statement of Net Position also reports the City's proportionate share of the deferred outflows of resources related to pensions. See Note 10 for more information.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has two types of items that qualify for reporting in this category.

The Statement of Net Position reports the City's proportionate share of the deferred inflows of resources related to pensions. See Note 10 for more information.

The governmental funds balance sheet reports unavailable revenues, from amounts which are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

#### **K. Compensated Absences**

The City's policy regarding vacation time permits full-time employees to accumulate earned but unused vacation leave. The only provision for vested benefits is that municipal employees, with the exception of employees of the police and fire department who are covered by Civil Service requirements, may carry forward no more than the maximum accruable amount for any vacation year. All employees do not have the option of foregoing vacation and being paid in lieu thereof. The entire accrued vacation liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of this debt is the amount that is normally expected to be paid using expendable available financial resources. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City's policy regarding sick time permits full-time employees to accrue sick leave at the rate of eighty (80) hours per year, effective on the first day of full-time employment. Sick time may be carried over from year to year. Upon retirement, the employee will be reimbursed for fifty (50) percent of their accrued sick leave at their regular hourly rate of pay. Total reimbursement cannot exceed 500 hours. All sick leave hours used in the two years prior to retirement date will be deducted from the fifty (50) percent accrual prior to reimbursement. There is no provision for reimbursement of accrued sick leave for termination other than retirement. The liability for sick leave accrual is recorded as long-term debt in the government-wide financial statements.

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

**L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Long-term debt consists primarily of bonds payable, capital lease obligations, compensated absences, claims payable, pension obligations and net OPEB obligations. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost, except any portion related to prepaid insurance costs are expensed in the period incurred.

Long-term debt in governmental funds is not reported as liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest reported as expenditures.

**M. Restricted Net Position**

For the government-wide Statement of Net Position, net position is reported as restricted if either of the following conditions exists:

- Restrictions are externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Restrictions are imposed by law through constitutional provision or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**N. Fund Equity of Fund Financial Statements**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used. In the fund financial statements, fund balances are classified as follows:

- a. Nonspendable fund balance - amounts that are not in a spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories.
- b. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- c. Committed fund balance - amounts constrained to specific purposes determined by the City itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The City Council establishes (and modified or rescinds) fund balance commitments by passage of an ordinance or resolution.
- d. Assigned fund balance - amounts that the City intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City's policy does not address assignment of fund balance. Assigned fund balance is established by City Council through

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
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adoption or amendment of the budget as intended for specific purpose.

- e. Unassigned fund balance - amounts that are available for any purpose, positive amounts are reported only in the General Fund. The City has not adopted a policy to maintain the General Fund's unassigned fund balance above a certain minimum level.

The City reduces committed amounts, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City considers restricted amounts to have been spent when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**P. 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.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

- a) The City Clerk prepares a proposed budget and submits same to the Mayor and the Council no later than fifteen days prior to the beginning of each fiscal year.
- b) The public is notified that the proposed budget is available for public inspection. At that time, a public hearing is called.
- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Council.
- f) All budgetary appropriations lapse at the end of each fiscal year.



CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

- g) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts, as originally adopted, are amended from time to time by the Council.

**Excess of expenditures over appropriations in individual funds**

The following individual funds had actual expenditures over budgeted expenditures for the year ended September 30, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 12,622,898	\$ 12,993,823	\$ (370,925)
Sales Tax Fund	50,000	52,444	(2,444)
Sales Tax Fund – Sewerage System	50,000	51,583	(1,583)

*DEFICITS* The Fiduciary Fund – Pension Trust Fund had a deficit of \$505,209, in retained earnings as of March 31, 2016. The deficit was due to the excess of expenditures recognized for claims incurred as of the end of the year over actual funds transferred to the Pension Trust Fund. The deficit will be eliminated through future transfers from various funds.

**3. CASH AND CASH EQUIVALENTS**

At September 30, 2016, the carrying amount of the City's deposits, excluding its fiduciary fund was \$8,963,963.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At September 30, 2016, the City's bank balances, including its fiduciary funds and certificates of deposits, totaled \$12,054,457. These deposits are secured from risk by \$1,286,717 of federal deposit insurance and \$14,723,844 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

CITY OF MINDEN, LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended September 30, 2016

**4. INVESTMENTS**

As of September 30, 2016 the City's reporting entity had the following investments:

<u>Types of investments</u>	<u>%</u>	<u>Credit rating</u>	<u>Total Fair Value/ Carrying Amount</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Weighted Average Months to Maturity</u>
Money market funds - LAMP	22	AAAm	\$ 303,011	\$ 26,567	\$ 276,444	
UBS Cash Fund, Inc.	0	<i>a</i>	3,335	-	3,335	
U.S. Government Sponsored Enterprises:						
Federal National Mortgage Association	11	AA+	850,240	100,087	750,153	35.48
Federal Home Loan Bank		AA+	950,414	100,027	850,387	12.66
Federal Home Loan Mortgage Corp.	7	AA+	1,000,067	99,973	900,094	29.77
Federal Farm Credit Bank	10	AA+	599,732	-	599,732	33.27
Louisiana Bonds	4	Am	486,913	-	486,913	27.51
U.S. Agency Collateralized Mortgage Obligations	0	<i>a</i>	839	-	839	<i>a</i>
Certificates of deposit	<u>46</u>		<u>2,467,126</u>	<u>1,959,896</u>	<u>507,230</u>	11.80
Total investments	<u>100</u>		<u>\$ 6,661,677</u>	<u>\$ 2,286,550</u>	<u>\$ 4,375,127</u>	

*a* No specific maturity date available due to the nature of this type of investment. The City plans to hold remaining security until maturity. No rating provided on this investment.

With the exception of the certificates of deposits, all other investments listed above were valued using Level 1 inputs. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Investments in certificates of deposit are stated at amortized cost.

The City participates in the Louisiana Asset Management Pool, Inc. (LAMP) which is an external investment pool that is not SEC-registered. Because the LAMP is an arrangement sponsored by a type of governmental entity, it is exempt by statute from regulation by the SEC.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA- R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, and concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

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

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disclosure is required.

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 48 as of September 30, 2016.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with SEC as an investment company.

LAMP issues financial reports. These financial reports can be obtained by writing LAMP, Inc. 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

#### ***City's Investment policies***

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy does not address credit rate risk.

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy does not address interest rate risk. For information regarding the interest rate risk on LAMP investments, see above.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy does not address concentration of credit risk.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City investments are Category 1 investments, categorized as insured or registered, or securities held by the City or its agent in the City's name.

## **5. ACCOUNTS RECEIVABLE**

### ***Enterprise Receivables and Uncollectible Accounts***

The individual customer consumption meters are not all read on the same day of the month. Meters are generally read between the first (1) and the twenty-first (21) day of each month. At the end of any particular month, individual customers will have from a week to a total month's consumption that they will not be billed for until the following month. It is estimated that at the end of any particular month there is, in the aggregate, approximately the equivalent of twenty (20) days' consumption that is unbilled to utility customers.

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Accounts receivable for City's business-type activities at September 30, 2016, consisted of:

Accounts receivable – utilities	\$ 2,751,926
Allowance for D/A	<u>(457,044)</u>
	2,294,882
Unbilled receivables	<u>1,016,498</u>
Accounts receivable – utilities (net)	3,311,380
Accounts receivable – other	<u>8,608</u>
Total receivables	<u>\$ 3,319,988</u>

Receivables detail at September 30, 2016 for governmental activities are as follows:

	<u>General</u>	<u>Sales Tax</u>	<u>Sales Tax - Sewerage</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<u>Class of receivables:</u>					
Taxes:					
Ad Valorem	\$ 45	\$ -	\$ -	\$ -	\$ 45
Sales Tax	-	237,759	237,759	-	475,518
Franchise tax	46,194	-	-	-	46,194
Interest	-	-	-	2,086	2,086
Other	<u>45,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,873</u>
Receivables	<u>\$ 92,112</u>	<u>\$ 237,759</u>	<u>\$ 237,759</u>	<u>\$ 2,086</u>	<u>\$ 569,716</u>

At September 30, 2016 City reported \$443,424 in due from other governments for both governmental and business-type activities.

## 6. ADVALOREM TAXES

The City levies taxes on real and business personal property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Webster Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Webster Parish Sheriff's office bills and collects property taxes for the City. Collections are remitted to the City monthly.

### Property Tax Calendar

Millage rates adopted/levied	October 15
Tax bills mailed	October 15, 2015
Due date	December 31, 2015
Collection dates	December 31, 2015 through April 2016
Penalty and interest accrues	January 1, 2016
Tax sale – 2015 property	May 15, 2016

The City considers the lien date (January 1, 2016) as the date an enforceable legal claim occurs for the 2015 property

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taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted).

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes. Any property with outstanding taxes owed is subject to annual public sale. Any property not purchased by individuals through the public sale, is then adjudicated to the City. The delinquent property owner has three years from the date of the tax purchase to redeem the property by paying all of the outstanding property taxes to date, penalties and interest.

The tax levy for 2015 was 7.61 mills of the assessed property valuation on tax rolls as of January 1. This tax became due on January 1, 2016 and delinquent on February 1, 2016.

The tax was dedicated as follows:

General corporate purposes	5.70 mills
Downtown historic district	1.91 mills

For the year ended September 30, 2016, taxes of \$431,864 were levied on property with assessed valuations totaling \$75,765,680.

Additionally, a tax of 1.91 mills on properties located within the established Minden Downtown Development District was approved by voters on October 22, 2011. For the year ended September 30, 2016, taxes of \$16,242 were levied on property with assessed valuations totaling \$8,503,880.

## 7. SALES AND USE TAX OPERATIONS

- A. 1% sales and use tax - The City of Minden was authorized to levy and collect a one per cent (1%) sales and use tax by a special election held May 23, 1967.

The revenues derived therefrom were authorized to be used for "the purpose of opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks and bridges; constructing, acquiring, extending, improving, renovating and/or maintaining street lighting facilities, water-works, sewers and sewerage disposal works, garbage collection and waste disposal facilities, police department stations and equipment, public buildings and/or fire department stations and equipment, including fire engines, public parks and recreational facilities, airport facilities, and parking facilities; and purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building, improvements and facilities, and such tax to be subject to funding into bonds by the City in the manner authorized."

For the year ended September 30, 2016, Sales Tax operating transfers (of "surplus") to other funds which were used for purposes for which the imposition of the tax was authorized were as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Transfers to	\$ <u>2,784,000</u>	\$ <u>640,979</u>

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- B. 1% sales and use tax - sewerage improvements - The City of Minden was authorized to levy and collect a one per cent (1%) sales and use tax by a special election held September 29, 1984.

The revenues derived therefrom were authorized to be used for "the purpose of constructing, acquiring, extending, improving, operating and maintaining sewers and sewerage disposal facilities and fund the proceeds of the Tax into bonds to be issued in series from time to time for the purpose of constructing, acquiring and improving sewers and sewage disposal facilities and the Council shall (i) annually budget the amount of said net proceeds of the Tax required to pay principal and interest and reserve requirements on all bonds payable from the Tax and the amount required for extending, improving, operating and maintaining sewers and sewage disposal facilities and (ii) use the excess over said requirements to pay said bonds in full prior to their stated maturity and when provisions shall have been made for the payment of all of said bonds in full the authority to levy the Tax shall terminate."

By a special election held April 15, 2000, the City rededicated and renewed the levy of a one percent (1%) sales and use tax, which was originally authorized at an election held in the City on September 29, 1984.

The revenues derived therefrom were rededicated to be used for "the purpose of acquiring, constructing, improving, maintaining, equipping and operating sewerage, sewage disposal facilities and recreational facilities, including the acquisition of sites therefore, and authority to fund the sales tax into bonds by the City in the manner authorized."

For the year ended September 30, 2016, Sales tax-sewerage improvements operating transfers to other funds which were used for purposes for which the imposition of the tax was authorized were as follows:

	Debt <u>Service</u>	General <u>Fund</u>	Utility <u>Fund</u>
Transfers to	\$ <u>356,300</u>	\$ <u>1,510,759</u>	\$ <u>1,087,168</u>

Beginning July 1992, the City entered into an agreement with the Webster Parish Sales & Use Tax Commission to collect sales tax. The Agency collects the taxes from vendors, and then remits to the City, after deducting an administrative fee. The administrative fee of 1.4% was assessed during the year.

## 8. RESTRICTED ASSETS

Restricted assets of the City of Minden at September 30, 2016 were as follows:

Customers' Deposits	
Bank deposit accounts	\$ 749,233
Investments (net of market adjustment)	<u>4,174</u>
Total restricted assets	\$ <u>753,407</u>

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**9. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended September 30, 2016, for the primary government is as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,942,729	\$ -	\$ -	\$ 1,942,729
Construction in progress	<u>155,130</u>	<u>1,021,952</u>	<u>-</u>	<u>1,177,082</u>
Total capital assets, not being depreciated	<u>2,097,859</u>	<u>1,021,952</u>	<u>-</u>	<u>3,119,811</u>
Capital assets being depreciated				
Buildings	16,884,113	-	-	16,884,113
Land improvements other than buildings	7,130,572	-	-	7,130,572
Equipment	7,142,655	222,194	288,187	7,076,662
Infrastructure	<u>5,337,362</u>	<u>-</u>	<u>-</u>	<u>5,337,362</u>
Total capital assets being depreciated	<u>36,494,702</u>	<u>222,194</u>	<u>288,187</u>	<u>36,428,709</u>
Less accumulated depreciation for:				
Buildings	5,756,465	387,417	-	6,143,882
Land improvements other than buildings	1,509,177	276,173	-	1,785,350
Equipment	5,769,669	288,839	230,152	5,828,356
Infrastructure	<u>2,909,591</u>	<u>127,813</u>	<u>-</u>	<u>3,037,404</u>
Total accumulated depreciation	<u>15,944,902</u>	<u>1,080,242</u>	<u>230,152</u>	<u>16,794,992</u>
Total capital assets, being depreciated, net	<u>20,549,800</u>	<u>(858,048)</u>	<u>58,035</u>	<u>19,633,717</u>
Governmental activities capital assets, net	<u>\$ 22,647,659</u>	<u>\$ 163,904</u>	<u>\$ 58,035</u>	<u>\$ 22,753,528</u>
Business-type activities:				
Capital assets, not being depreciated				
Land and improvements	\$ 332,065	\$ -	\$ 9,723	\$ 322,342
Construction in progress	<u>40,019</u>	<u>1,270,551</u>	<u>-</u>	<u>1,310,570</u>
Total capital assets, not being depreciated	<u>372,084</u>	<u>1,270,551</u>	<u>9,723</u>	<u>1,632,912</u>
Capital assets being depreciated				
Buildings	17,281,667	-	-	17,281,667
Land improvements other than buildings	31,395,136	-	-	31,395,136
Equipment	<u>8,657,987</u>	<u>155,584</u>	<u>18,760</u>	<u>8,794,811</u>
Total capital assets being depreciated	<u>57,334,790</u>	<u>155,584</u>	<u>18,760</u>	<u>57,471,614</u>
Less accumulated depreciation for:				
Buildings	12,206,592	372,221	-	12,578,813
Land improvements other than buildings	18,718,080	739,618	-	19,457,698
Equipment	<u>7,250,766</u>	<u>172,492</u>	<u>18,760</u>	<u>7,441,958</u>
Total accumulated depreciation	<u>38,175,438</u>	<u>1,284,331</u>	<u>18,760</u>	<u>39,441,009</u>
Total capital assets, being depreciated, net	<u>19,159,352</u>	<u>(1,128,747)</u>	<u>-</u>	<u>18,030,605</u>
Business-type capital assets, net	<u>\$ 19,531,436</u>	<u>\$ 141,804</u>	<u>\$ 9,723</u>	<u>\$ 19,663,517</u>

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Depreciation expense was charged as direct expense of the primary government as follows:

Governmental activities:		Business-type activities:	
General government	\$ 175,071	Water	\$ 320,391
Public safety	159,518	Sewer	476,959
Highway and streets	172,174	Electric	472,620
Parks and recreation	365,581	Other	<u>14,361</u>
Public works	<u>207,898</u>	Total	\$ <u>1,284,331</u>
Total	\$ <u>1,080,242</u>		

## 10. PENSION PLANS

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

### A. Municipal Employees' Retirement System of Louisiana (MERS)

**Plan Description:** Employees of the City are provided with pensions through a cost-sharing multiple-employer defined benefit plan established in accordance with the provision of Louisiana Revised Statutes (La. R.S. 11:1731) to provide retirement benefits to employees of all incorporated villages, towns and cities within the State of Louisiana. The Municipal Employees Retirement System of Louisiana is the administrator of this plan. MERS is comprised of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan A. MERS issues a publicly available financial report that can be obtained at [www.mersla.com](http://www.mersla.com).

**Benefits Provided:** The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

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

- a. Any age with twenty-five (25) or more years of creditable service.



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- b. Age 60 with a minimum of ten (10) years of creditable service.
- c. Any age with five (5) years of creditable service eligible for disability benefits.
- d. Survivor's benefits require five (5) years creditable service at death of a member.
- e. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

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

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

**Survivor Benefits:** Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

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

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

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

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

**Deferred Benefits:** Plan A provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

**Contributions:** Contribution requirements of active employees are governed by Louisiana Revised Statutes (La. R.S. 11:1731) and may be amended by the Louisiana Legislature. Employee contributions are deducted from a member's salary. Both employee and employer contributions are remitted to MERS by participating employers. According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending September 30, 2016, the actual employer contribution rate ranged from 19.75% to 22.75% (effective July 1, 2016) of annual payroll for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions were recognized as revenue during the year ended September 30, 2016 and excluded from pension expense. Contributions to the pension plan from the City were \$746,484 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$8,661,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative

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to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 2.113222% which was a decrease of 0.003711% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$1,265,149.

	Deferred Outflows			Deferred Inflows		
	<u>Governmental</u>	<u>Business</u>	<u>Total</u>	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 131,175	\$ 142,619	\$ 273,794
Net difference between projected and actual earnings on pension plan investments	947,684	1,030,367	1,978,051	-	-	-
Change of assumptions	151,060	164,239	315,299	-	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	17,909	19,473	37,382
Employer contributions subsequent to the measurement date	<u>93,411</u>	<u>101,561</u>	<u>194,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,192,155</u>	<u>\$ 1,296,167</u>	<u>\$ 2,488,322</u>	<u>\$ 149,084</u>	<u>\$ 162,092</u>	<u>\$ 311,176</u>

Deferred outflows of resources related to pensions of \$194,972 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
09/30/2017	\$ 620,592
09/30/2018	413,801
09/30/2019	640,931
09/30/2020	306,850

**Actuarial Methods and Assumptions**

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5%, net of investment expense
Projected Salary Increase, including inflation and merit increases	5.0%
Inflation Rate	2.875%

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Expected Remaining Service Lives	3 years
Mortality Rates	<p>For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA</p> <p>For employees, the RP-2000 Disabled Lives Mortality Table (set back 2 years for both males and females)</p> <p>For disabled annuitants, RP-2000RP-2000 Disabled Lives Mortality Table (set back 5 years for males and 3 years for females)</p>
Cost of Living Adjustments	<p>The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living raises. The present values does not include provisions for potential future increases not yet authorized by the Board of Trustees.</p>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumption used in the June 30, 2016 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014.

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 and an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return was 7.7% for the year ended June 30, 2016.

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Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.60%
Public fixed income	35%	1.80%
Alternatives	15%	0.80%
Totals	100%	5.20%
Inflation		2.50%
Expected Arithmetic Nominal Return		7.70%

**Discount Rate:** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and Public Retirement Systems' Actuarial Committee (PRSAC). Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to changes in Discount Rate:**

The following presents the net pension liability of the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2016:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 11,010,360	\$ 8,661,485	\$ 6,657,175

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana stand-alone audit report on their financial statements for the year ended June 30, at [www.mersla.com](http://www.mersla.com).

**Payables to the Pension Plan:** At September 30, 2016, the City had \$90,375 in payables to the Municipal Employees' Retirement System for the September 30, 2016 employee and employer legally required contributions.

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**B. Municipal Police Employees' Retirement System of Louisiana (MPERS)**

**Plan Description:** Police officers of the City are provided with pensions through a cost-sharing multiple-employer defined benefit plan established by Act 189 of 1973 and amended by Louisiana Revised Statutes (La. R.S. 11:2211 - 11:2233) to provide retirement benefits for municipal police officers. The Municipal Police Employees' Retirement System of Louisiana is the administrator of this 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. MPERS issues a public available financial report that can be obtained at [www.lampers.org](http://www.lampers.org).

**Benefits Provided:** The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Retirement - membership prior to January 1, 2013:** A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

**Retirement - membership commencing January 1, 2013:** Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive

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months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

**Cost of Living Adjustments:** The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach retirement age.

**Deferred Retirement Option Plan:** A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

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

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on the balance based on the same criteria as DROP.

**Contributions:** Contribution requirements of active employees are governed by Act 189 of 1973 and amended by Louisiana Revised Statutes (La. R.S. 11:2211 - 11:2233) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to MPERS by participating employers. Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ending September 30, 2016, the actual employer contribution rate ranged from 29.5% to 31.75% of actual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. In accordance with state statute, the System receives insurance premium tax monies as additional employer contributions. Non-employer contributions were recognized as revenue during the year ended September 30, 2016 and excluded from pension expense. Contributions to the pension plan from the City were \$376,862 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$4,173,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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. At June 30, 2016, the City's proportion was 0.445268% which was an increase of 0.015062% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$454,044.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental activities</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ -	\$ 66,389
Net difference between projected and actual earnings on pension plan investments	642,178	-
Change of assumptions	202,914	251
Change in proportion and differences between employer contributions and proportionate share of contributions	179,516	181,217
Employer contributions subsequent to the measurement date	<u>92,397</u>	<u>-</u>
Total	\$ <u>1,117,005</u>	\$ <u>247,857</u>

Deferred outflows of resources related to pensions of \$92,397 resulting from the City's contributions subsequent to



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the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
09/30/2017	\$ 94,439
09/30/2018	232,684
09/30/2019	286,513
09/30/2020	163,115

**Actuarial Methods and Assumptions**

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

Valuation Date	June 30, 2016								
Actuarial Cost Method	Entry Age Normal Cost								
Investment Rate of Return	7.5%, net of investment expense								
Inflation Rate	2.875% per annum								
Expected Remaining Service Lives	4 years								
Salary increase, including inflation and merit	Salary growth								
	<table> <tr> <th><u>Years of service</u></th><th><u>Rate</u></th></tr> <tr> <td>1-2</td><td>9.75%</td></tr> <tr> <td>3-23</td><td>4.75%</td></tr> <tr> <td>Over 23</td><td>4.25%</td></tr> </table>	<u>Years of service</u>	<u>Rate</u>	1-2	9.75%	3-23	4.75%	Over 23	4.25%
<u>Years of service</u>	<u>Rate</u>								
1-2	9.75%								
3-23	4.75%								
Over 23	4.25%								
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.								
	RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.								
	RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.								
Cost-of-living adjustments	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.								

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This

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mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2016 are summarized in the following table

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53.00%	3.69%
Fixed income	21.00%	0.49%
Alternative	20.00%	1.11%
Other	6.00%	0.21%
Totals	100.00%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

**Discount Rate:** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to changes in Discount Rate:**

The following presents the net pension liability of the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2016:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Rate	1% Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 5,563,522	\$ 4,173,416	\$ 3,006,295

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Municipal Police Employees' Retirement System of Louisiana stand-alone audit report on their financial statements for the year ended June 30, at [www.lampers.org](http://www.lampers.org).

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**Payables to the Pension Plan:** At September 30, 2016, the City had \$40,117 in payables to the Municipal Police Employees' Retirement System for the September 30, 2016 employee and employer legally required contributions.

**C. State of Louisiana – Firefighters' Retirement System of Louisiana (FRS)**

**Plan Description:** Firefighters of the City are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Firefighters' Retirement System of Louisiana. Membership in the System is a condition of employment for any full-time firefighters who earn at least \$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 provision are authorized within Act 434 of 1979 and amended by Louisiana Revised Statutes (La. R.S. 11:2251 - 11:2272). FRS issues a publicly available financial report that can be obtained at [www.lafirefightersret.com](http://www.lafirefightersret.com).

**Benefits Provided:** The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

**Deferred Retirement Option Plan:** After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

**Initial Benefit Option Plan:** Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months

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of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

**Contributions:** Contribution requirements of active employees are governed by Act 434 of 1979 and amended by Louisiana Revised Statutes (La. R.S. 11:2251 - 11:2272) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to FRS by participating employers. Employer contributions are actuarially determined each year. For the year ending September 30, 2016, the actual employer contribution rate ranged from 27.25% to 25.25% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. In accordance with state statute, the System receives insurance premium tax monies as additional employer contributions. Non-employer contributions were recognized as revenue during the year ended September 30, 2016 and excluded from pension expense. Contributions to the pension plan from the City were \$231,949 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$1,845,477 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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. At June 30, 2016, the City's proportion was 0.282144% which was an increase of 0.004367% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$286,262.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental activities</u>	
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ -	\$ 73,051
Net difference between projected and actual earnings on pension plan investments	443,530	-
Change of assumptions	15,904	514
Change in proportion and differences between employer contributions and proportionate share of contributions	138,367	129,136
Employer contributions subsequent to the measurement date	<u>52,094</u>	<u>-</u>
Total	\$ <u>649,895</u>	\$ <u>202,701</u>

Deferred outflows of resources related to pensions of \$52,094 resulting from the City's contributions subsequent to

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the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
09/30/2017	\$ 93,913
09/30/2018	93,913
09/30/2019	121,773
09/30/2020	60,048
09/30/2021	14,949
09/30/2022	10,504

**Actuarial Methods and Assumptions**

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.5%, per annum
Inflation Rate	2.875% per annum
Expected Remaining Service Lives	7 years
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

The mortality rate assumption used was set based upon 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 System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

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

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Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	Long-Term Target <u>Allocation</u>	<u>Rates of return</u>	
		<u>Real</u>	<u>Nominal</u>
Equity	58%	6.77%	
Fixed income	24%	1.85%	
Alternatives	8%	6.67%	
Other	<u>10%</u>	4.30%	
System total	100%		5.34
Inflation			<u>3.00%</u>
Expected Arithmetic Nominal Return			<u>8.34%</u>

**Discount rate:** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to changes in Discount Rate:**

The following presents the net pension liability of the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2016:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 2,514,313	\$ 1,845,477	\$ 1,282,998

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Firefighters' Retirement System of Louisiana stand-alone audit report on their financial statements for the year ended June 30, at [www.lafirefightersret.com](http://www.lafirefightersret.com).

**Payables to the Pension Plan:** At September 30, 2016, the City had \$109,471 in payables to the Firefighters' Retirement System of Louisiana for the September 30, 2016 employee and employer legally required contributions.

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

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

**Benefits Provided:** The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Retirement:** The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. LASERS rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

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

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

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duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Legislative Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the members' average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

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

**Deferred Retirement Benefits:** The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

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

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

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



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

**Survivor's Benefits:** Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

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

**Contributions:** Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers.

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The rates in effect during the year ended June 30, 2016 for the various plans follow:

<u>Plan</u>	<u>Plan Status</u>	2016 Employer <u>Rate</u>
Appellate Law Clerks	Closed	37.20%
Appellate Law Clerks hired on or after 7/01/06	Open	37.20%
Alcohol Tobacco Control	Closed	33.30%
Bridge Police	Closed	35.80%
Bridge Police hired on or after 7/01/06	Closed	35.80%
Corrections Primary	Closed	32.60%
Corrections Secondary	Closed	33.50%
Hazardous Duty	Open	37.60%
Judges hired before 1/1/2011	Closed	38.10%
Judges hired after 12/31/2010	Closed	39.30%
Judges hired after 07/01/2015	Open	39.30%
Legislators	Closed	39.70%
Optional Retirement Plan (ORP) before 7/01/06	Closed	37.20%
Optional Retirement Plan (ORP) on or after 7/01/06	Closed	37.20%
Peace Officers	Closed	35.30%
Regular Employees hired before 7/01/06	Closed	37.20%
Regular Employees hired on or after 7/01/06	Closed	37.20%
Regular Employees hired on or after 1/1/11	Closed	37.20%
Regular Employees hired on or after 07/01/15	Open	37.20%
Special Legislative Employees	Closed	39.70%
Wildlife Agents	Closed	46.60%
<b>Aggregate Rate</b>		<b>37.00%</b>

The City's contractually required composite contribution rate for the year ended September 30, 2016 ranged from 39.3%-36.7% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contributions to the pension plan from the City were \$2,322 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$26,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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. At June 30, 2016, the City's proportion

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was 0.00034% which was an increase of .00003% to the proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$4,464.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental activities</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 15	\$ 248
Net difference between projected and actual earnings on pension plan investments	3,325	-
Change in proportion and differences between employer contributions and proportionate share of contributions	1,472	313
Employer contributions subsequent to the measurement date	<u>508</u>	<u>-</u>
Total	\$ <u>5,320</u>	\$ <u>561</u>

Deferred outflows of resources related to pensions of \$508 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
09/30/2017	\$ 937
09/30/2018	1,228
09/30/2019	1,293
09/30/2020	793



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major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Expected long-term Real Rates of Return</u>
Cash	-0.24%
Domestic equity	4.31%
International equity	5.48%
Domestic Fixed Income	1.63%
International Fixed Income	2.47%
Alternative Investments	7.42%
Global Tactical Asset Allocation	2.92%
Total Fund	5.30%

**Discount Rate:** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to Changes in Discount Rate:**

The following presents the net pension liability of the City's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2016:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Rate	1% Increase
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net Pension Liability	\$ 32,802	\$ 26,699	\$ 21,513

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2015 Comprehensive Annual Financial Report for the year ended June 30, at [www.lasersonline.org](http://www.lasersonline.org).

**Payables to the Pension Plan:** At September 30, 2016, the City had \$229 in payables to the Louisiana State Employees' Retirement System for the September 30, 2016 employee and employer legally required contributions.

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**11. CAPITAL AND OPERATING LEASES**

The City records items under capital leases as an asset and an obligation in the accompanying financial statements.

The City has a capital lease agreement during the fiscal year for a fire truck. The cost of the truck is \$619,567 and the City is required to make seven (7) payments of \$97,880. One payment was made during the current fiscal year. At the end of year seven (7), the City has the option of purchasing the truck for a payment of \$1. Interest accrues at a rate of 3.298%.

On January 6, 2016, the City entered into a second capital lease agreement to lease the equipment for its City-wide water and electric meter project. The cost of the project as of September 30, 2016 was \$1,667,136 and the City is required to make ten (10) payments of \$203,537. At the end of year ten (10), the City has the option of purchasing the equipment for a payment of \$1. Interest accrues at a rate of 3.417%.

Future minimum payments are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 228,831	\$ 72,587	\$ 301,418
2018	236,390	65,028	301,418
2019	244,365	57,053	301,418
2020	252,609	48,809	301,418
2021	261,132	40,286	301,418
2022-2026	<u>921,146</u>	<u>96,539</u>	<u>1,017,685</u>
Total	<u>\$ 2,144,473</u>	<u>\$ 380,302</u>	<u>\$ 2,524,775</u>

The municipality has operating leases and rental expense as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Equipment:		
Ricoh MPC5503 Copier - \$254.69/month for 48 months	\$ 1,528	\$ 1,528
Canon IPF765 Copier - \$228/month for 48 months	-	2,736
Ricoh MPC 3503 - \$186/month for 60 months	2,232	-
Ricoh MPC 3001 - \$195/month for 48 months	1,365	-
Ricoh MPC 3003 - \$185/month for 48 months	1,850	-
Canon Fax - \$17/month for 45 months	<u>209</u>	<u>-</u>
Total rental expense	<u>\$ 7,184</u>	<u>\$ 4,264</u>

The minimum annual commitments under noncancelable operating leases are as follows:

<u>Fiscal year:</u>	
2017	\$ 11,506
2018	6,150
2019	2,220
2020	<u>370</u>
Total	<u>\$ 20,246</u>

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**12. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

	Balance			Balance	Amount due
Governmental activities:	<u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 2016</u>	<u>within one year</u>
Refunding bonds	\$ 1,940,000	\$ -	\$ (300,000)	\$ 1,640,000	\$ 310,000
Compensated absences	323,157	269,154	(213,392)	378,919	31,395
Estimated claim	229,042	27,412	(229,042)	27,412	27,412
Capital lease	525,037	-	(80,564)	444,473	83,221
Net OPEB obligation	3,925,536	598,255	(257,621)	4,266,170	-
Pension obligation	<u>8,419,446</u>	<u>2,907,189</u>	<u>(1,131,326)</u>	<u>10,195,309</u>	<u>-</u>
Total governmental debt	\$ <u>15,362,218</u>	\$ <u>3,802,010</u>	\$ <u>(2,211,945)</u>	\$ <u>16,952,283</u>	\$ <u>452,028</u>
Business-type activities:	<u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 2016</u>	<u>within one year</u>
Compensated absences	\$ 207,276	\$ 150,797	\$ (124,811)	\$ 233,262	\$ 26,250
Capital lease	-	1,667,136	-	1,667,136	145,610
Net OPEB obligation	1,584,628	225,572	(97,136)	1,713,064	-
Pension obligation	<u>4,007,870</u>	<u>873,691</u>	<u>(369,792)</u>	<u>4,511,769</u>	<u>-</u>
Total business-type debt	\$ <u>5,799,774</u>	\$ <u>2,917,196</u>	\$ <u>(591,739)</u>	\$ <u>8,125,231</u>	\$ <u>171,860</u>

For governmental activities, refunding bonds are liquidated by the Sales Tax Refunding Bonds, Series, 2010 fund. The compensated absences and net OPEB obligation are generally liquidated by the General Fund.

Bonds payable at September 30, 2016, are comprised of the following individual issue:

	Principal	Interest
	<u>Outstanding</u>	<u>to Maturity</u>
\$3,115,000 Sales Tax Refunding Bonds, Series 2010 dated November 1, 2010; due in annual installments of \$270,000 - \$350,000 through January 1, 2021; interest at 2%-3.25%; secured by pledge of the City's 1% sales and use tax designated for sewerage system improvements and recreation	\$ 1,640,000	\$ 126,614

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The annual requirements to amortize all debt outstanding as of September 30, 2016, including interest payments of \$126,614, are as follows:

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 310,000	\$ 43,050	\$ 353,050
2018	320,000	35,175	355,175
2019	325,000	26,300	351,300
2020	335,000	16,401	351,401
2021	<u>350,000</u>	<u>5,688</u>	<u>355,688</u>
	<u>\$ 1,640,000</u>	<u>\$ 126,614</u>	<u>\$ 1,766,614</u>

At September 30, 2016, \$277,045 was available in the Debt Service Funds to service the general obligation bonds. In accordance with Louisiana Revised Statutes, the City is legally restricted in the amount of long-term bonded debt that may be issued. At September 30, 2016, the statutory limit was \$7,576,568. As of September 30, 2016, the City had no bonds secured by advalorem taxes.

Total interest expense paid on long-term debt as of September 30, 2016 was \$81,133.

### 13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at September 30, 2016, were as follows:

<u>Receivable</u>	<u>Total</u>	<u>Payables</u>	
		<u>Enterprise Fund</u>	<u>Police Bond Fund</u>
General Fund	\$ <u>26,821</u>	\$ <u>19,320</u>	\$ <u>7,501</u>

Interfund transfers during the year ended September 30, 2016, were as follows:

<u>Operating Transfers In</u>				
<u>Transfers out</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Sales Tax Fund	\$ 2,784,000	\$ 640,979	\$ -	\$ 3,424,979
Sales Tax Fund - Sewerage System	1,510,759	1,087,168	356,300	2,954,227
Enterprise Fund	<u>3,451,482</u>	<u>-</u>	<u>-</u>	<u>3,451,482</u>
Total	\$ <u>7,746,241</u>	\$ <u>1,728,147</u>	\$ <u>356,300</u>	\$ <u>9,830,688</u>

Transfers are primarily used to move funds as follows:

Sales Tax Fund – Sewerage System to cover debt service attributable to sewerage bonds and recreation bonds, to cover



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costs of recreation activities within the General Fund, and to cover costs of the sewer system within the Utility Fund. The Enterprise Fund and Sales Tax Fund make transfers to supplement costs within the General Fund.

#### 14. RETAINED EARNINGS/FUND BALANCES

Inventory at year end is equally offset by an unspendable fund balance amount in the General Fund.

Revenues collected by the Sales Tax Sewerage Fund are authorized to be used for constructing, acquiring, extending, improving, operating and maintaining sewers and sewerage and recreation facilities, therefore fund balance is restricted.

Advalorem tax and annual City appropriations comprise the main revenues collected by the Main Street Program to be used solely and exclusively for the purpose and benefit of the Downtown Development District of the City of Minden.

Revenues collected by the Drug Task Force Fund are restricted to drug enforcement activities.

Revenues reported in Sales Tax Refunding Bonds, Series 2010 fund are restricted for debt service.

#### Restricted Net Position – Governmental Activities

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Fund</u>	<u>Restricted by</u>	<u>Amount</u>
Sales Tax Sewerage Fund	Local ordinance/election	\$ 2,701,164
Sales Tax, Series 2002 Refunding	Local ordinance/election	575,424
Sales Tax, Series 2010 Refunding	Local ordinance/election	277,045
Drug Task Force	Statutory requirements	<u>19,120</u>
Total restricted net position – governmental activities		<u>\$ 3,572,753</u>

#### Restricted Net Position – Business-Type Activities

Enterprise Fund:

Restricted for meter deposits:

Cash and investments	\$ 753,407
Less: meter deposit liability	<u>(683,257)</u>
Total enterprise fund restricted for meter deposits	<u>\$ 70,150</u>

#### 15. CONTRACTUAL SERVICE AGREEMENT – SANITATION SERVICES

The City has an agreement with BFI/Allied Waste Industries, Inc., a private company, to provide sanitation services

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to the City. These services include residential garbage and recyclable item pick-up and the disposal of such waste, with fees based on the number of pick-ups per week and the type of collection (curbside or backyard). The City then charges a monthly fee for sanitation services to individual customers on their utilities bills.

## 16. LITIGATION AND CLAIMS

As of September 30, 2016, the City recognized a liability of \$27,412 in the government-wide financial statements, which represents an estimate of the potential obligations from claims and contingencies against the City, not covered by insurance resulting from litigation and claims.

At September 30, 2016, the City is involved in several other lawsuits claiming damages. In the opinion of the City's legal counsel, the exposure to the City would be any costs in defense of the lawsuits with no liability to the City in excess of insurance coverage. Effective April 1, 1998, the City reinstated its general liability coverage. There were no significant reductions in insurance coverage from the previous year.

## 17. POST EMPLOYMENT BENEFITS

Plan description – The City provides post-employment benefits for eligible participants enrolled in the City of Minden health insurance program through the City of Minden, Employee Benefit Plan & Trust. This plan is a single employer defined benefit plan and the City maintains the authority to establish and amend plan benefit provisions and determine the contribution rates of the City and plan members. The plan provides medical, dental, vision, life and accidental death benefits. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The benefits are provided in the form of:

- An implicit rate subsidy where retirees receive health insurance coverage by paying a combined retiree/active rate
- An explicit subsidy where the city provides a health premium subsidy to eligible retirees

Funding policy – Retiree contributions are based on the total years that the retiree has provided services to the City. Retirees with less than 25 years of service receive a subsidy equal to 50% of the full premium. Retirees with more than 25 years of service receive a subsidy equal to 60% of the full premium.

The premiums, which include medical, dental, life and vision, are provided in the table below:

<u>Non Medicare Premiums</u>		
	Rates	Rates
	Effective	Effective
<u>Rate Tier</u>	<u>04/01/2016</u>	<u>04/01/2015</u>
Retiree only	\$ 819.09	\$ 802.05
Retiree & child (children)	\$ 1,742.54	\$ 1,708.37
Retiree & spouse	\$ 1,834.03	\$ 1,798.07
Retiree + Family	\$ 2,443.05	\$ 2,395.15

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Medicare Premiums

<u>Rate Tier</u>	Rates Effective <u>04/01/2016</u>	Rates Effective <u>04/01/2015</u>
Retiree only	\$ 467.22	\$ 458.06
Retiree & spouse	\$ 918.70	\$ 900.69
Retiree & spouse (one w/Medicare)	\$ 1,298.27	\$ 1,272.81
Retiree & spouse (one w/Medicare) (> 25 yrs.)	\$1,298.27	1,272.81

The plan is currently financed on a “pay-as-you-go” basis. For the year ended September 30, 2016, the City contributed \$354,757 for 36 retirees.

Annual other post employment benefit cost and liability – The City’s annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The unfunded actuarial accrued liability of \$10,342,000 is amortized over the maximum allowable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. The actuarially computed ARC is as follows:

	<u>2016</u>
Normal cost	\$ 416,000
30 year UAL amortization amount	<u>384,000</u>
Annual required contribution (ARC)	\$ <u>800,000</u>

The following table shows the components of the City’s OPEB obligation for fiscal years 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net OPEB obligation – beginning of the year	\$ 5,510,164	\$ 5,067,102	\$ 3,816,946
Annual required contribution	800,000	800,000	1,688,000
Interest on net OPEB obligation	220,407	202,684	171,763
Adjustments to ARC	<u>(196,580)</u>	<u>(180,774)</u>	<u>(145,737)</u>
Annual OPEB cost	823,827	821,910	1,714,026
Less: current year contributions	<u>(354,757)</u>	<u>(378,848)</u>	<u>(463,870)</u>
Increase in net OPEB obligation	<u>469,070</u>	<u>443,062</u>	<u>1,250,156</u>
Net OPEB obligation – end of year	\$ <u>5,979,234</u>	\$ <u>5,510,164</u>	\$ <u>5,067,102</u>
Percentage of annual OPEB cost contributed	43.06%	46.09%	27.06%

Funding status and funding progress – The **actuarial accrued liability** is the present value of future benefits which

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is attributable to past service. The actuarial accrued liability of the City's post employment benefit plan as of October 1, 2014 is \$10,342,000. The **unfunded actuarial accrued liability** is the difference between the actuarial accrued liability and the actuarial value of plan assets. Since the plan has no assets, the unfunded actuarial accrued liability for the City's post employment benefit plan is the same as the actuarial accrued liability of \$10,342,000.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,795,863, and the ratio of the UAAL to the covered payroll was 152.18%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's actuarial valuation as of October 1, 2014 was calculated using the projected unit credit method with benefits attributed from the date of hire to expected retirement age. The actuarial assumption included a 4.0% discount rate. Other critical assumptions used in the actuarial valuation are the health care cost trend rate and participation assumptions. The valuation uses a health care cost trend rate assumption of 8% grading down by 0.5% each year until an ultimate health care cost trend rate is reached of 4.5%.

The participation assumption is the assumed percentage of future retirees that participate and enroll in the health plan. The participation assumption used in this valuation is 75%.

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**18. ON BEHALF PAYMENTS**

During the fiscal year ended September 30, 2016, qualified city employees of the City Police Department, City Fire Department, and the City Marshal's Office received supplemental pay from the State of Louisiana. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 24, the City has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$270,050 for the year ended September 30, 2016, and the related expenditures are as follows:

Public Safety -	
Police	\$ 176,083
Fire	87,967
Ward Marshal	<u>6,000</u>
Total public safety	\$ <u>270,050</u>

**19. NEW GASB STANDARDS**

The City adopted a new statement of financial accounting standard issued by the Governmental Accounting Standards Board, the *Statement No. 72, Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This statement provides guidance for determining fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of Statements No. 72 has no impact on the net position of government wide statements or the fund financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules:

General Fund

Sales Tax Fund

Sales Tax Fund – Sewerage System

Condition Rating of the City's Street System

Schedule of Funding Progress for Other Post Employment Benefit Plan

Schedule of Proportionate Share of Net Pension Liability

Schedule of Employer Contributions

**CITY OF MINDEN, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Taxes - ad valorem	\$ 442,000	\$ 442,000	\$ 451,881	\$ 9,881
Licenses - occupational	590,000	590,000	576,774	(13,226)
Fees and rentals	554,445	554,445	584,857	30,412
Charges for services	1,382,000	1,382,000	1,256,501	(125,499)
Fines and forfeitures	72,800	72,800	108,450	35,650
Intergovernmental	1,674,050	1,674,050	1,664,365	(9,685)
Interest	5,300	5,300	5,345	45
Miscellaneous	137,500	137,500	190,717	53,217
Total revenues	<u>4,858,095</u>	<u>4,858,095</u>	<u>4,838,890</u>	<u>(19,205)</u>
<b>EXPENDITURES</b>				
General Government	2,960,649	2,960,649	2,992,529	(31,880)
Public Safety	4,340,529	4,340,529	5,024,959	(684,430)
Highway and streets	1,255,589	1,255,589	995,067	260,522
Sanitation and health	882,045	882,045	865,018	17,027
Parks and recreation	1,708,998	1,708,998	1,696,100	12,898
Public works	1,525,088	1,475,088	1,322,270	152,818
Debt service	-	-	97,880	(97,880)
Total expenditures	<u>12,672,898</u>	<u>12,622,898</u>	<u>12,993,823</u>	<u>(370,925)</u>
(Deficiency) of revenues over expenditures	(7,814,803)	(7,764,803)	(8,154,933)	(390,130)
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	7,814,803	7,764,803	7,746,241	(18,562)
Operating transfers out	-	-	-	-
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	<u>7,814,803</u>	<u>7,764,803</u>	<u>7,746,241</u>	<u>(18,562)</u>
Net change in fund balance	-	-	(408,692)	(408,692)
Fund balance at beginning of year	<u>1,386,634</u>	<u>1,386,634</u>	<u>1,386,634</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,386,634</u>	<u>\$ 1,386,634</u>	<u>\$ 977,942</u>	<u>\$ (408,692)</u>

See independent auditors' report.

## CITY OF MINDEN, LOUISIANA

## Statement of Revenues, Expenditures and Changes in Fund Balances -

## Budget and Actual

## Special Revenue Fund - Sales Tax Fund

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Budget	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes - sales	\$ 2,950,000	\$ 2,900,000	\$ 2,749,827	\$ (150,173)
Interest	9,000	9,000	6,226	(2,774)
Total revenues	<u>2,959,000</u>	<u>2,909,000</u>	<u>2,756,053</u>	<u>(152,947)</u>
EXPENDITURES:				
General government -				
Collection expense	50,000	50,000	52,444	(2,444)
Miscellaneous	-	-	-	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>52,444</u>	<u>(2,444)</u>
Excess of revenues over expenditures	<u>2,909,000</u>	<u>2,859,000</u>	<u>2,703,609</u>	<u>(155,391)</u>
OTHER FINANCING (USES)				
Operating transfers out	<u>(2,909,000)</u>	<u>(2,859,000)</u>	<u>(3,424,979)</u>	<u>(565,979)</u>
Total other financing (uses)	<u>(2,909,000)</u>	<u>(2,859,000)</u>	<u>(3,424,979)</u>	<u>(565,979)</u>
Excess of revenues over				
expenditures and other (uses)	-	-	(721,370)	(721,370)
Fund balance at beginning of year	<u>2,238,477</u>	<u>2,238,477</u>	<u>2,238,477</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,238,477</u>	<u>\$ 2,238,477</u>	<u>\$ 1,517,107</u>	<u>\$ (721,370)</u>

See independent auditors' report.



## CITY OF MINDEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual

## Special Revenue Fund - Sales Tax Fund Sewerage System

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Budget	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES				
Sales taxes	\$ 2,950,000	\$ 2,900,000	\$ 2,749,526	\$ (150,474)
Interest	3,300	3,300	6,463	3,163
Total revenues	<u>2,953,300</u>	<u>2,903,300</u>	<u>2,755,989</u>	<u>(147,311)</u>
EXPENDITURES				
General government -				
Collection expense	<u>50,000</u>	<u>50,000</u>	<u>51,583</u>	<u>(1,583)</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>51,583</u>	<u>(1,583)</u>
Excess of revenues over expenditures	<u>2,903,300</u>	<u>2,853,300</u>	<u>2,704,406</u>	<u>(148,894)</u>
OTHER FINANCING (USES)				
Operating transfers out	<u>(3,263,211)</u>	<u>(3,213,211)</u>	<u>(2,954,227)</u>	<u>258,984</u>
Total other financing (uses)	<u>(3,263,211)</u>	<u>(3,213,211)</u>	<u>(2,954,227)</u>	<u>258,984</u>
Excess of revenues over				
expenditures and other (uses)	<u>(359,911)</u>	<u>(359,911)</u>	<u>(249,821)</u>	<u>110,090</u>
Fund balance at beginning of year	<u>2,950,985</u>	<u>2,950,985</u>	<u>2,950,985</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,591,074</u>	<u>\$ 2,591,074</u>	<u>\$ 2,701,164</u>	<u>\$ 110,090</u>

See independent auditors' report.

**SCHEDULE 2**

CITY OF MINDEN, LOUISIANA  
CONDITION RATING OF THE CITY'S STREET SYSTEM  
For the year ended September 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
# of city streets	328	338	338
Percentage of streets in good or better condition	86.0%	74.0%	74.0%
Percentage of streets in substandard condition	14.0%	26.0%	26.0%

Comparison of needed to actual maintenance/preservation

Needed as of 1/1 (date of assessment)	\$ 1,650,532	\$ 4,363,000	\$ 4,363,000
Actual cost of improvements incurred as of 9/30	\$ 73,711	\$ 50,369	\$ 74,859

The condition of road pavement is measured by the City using a pavement management system which rates the condition of the pavement surfaces using a 1-5 rating scale assessing the following distress factors:

- Base failure
- Surface wear
- Effects of outside construction contractors which may cause damage to streets during various projects
- Presence of potholes

The system is based on a condition rating system from 1 to 5. The rating scale used to classify roads in good or better condition (4-5), fair condition (3), and substandard condition (1-2). Roads which are rated 1 are considered highest priority for improvements. It is the City's policy to maintain at least 75% of its street system at a good or better condition level.

The city's condition assessment is determined every two years as the pavement conditions are monitored throughout this time.

See independent auditors' report.

**SCHEDULE 3**

CITY OF MINDEN, LOUISIANA  
Schedule of Funding Progress for Other Post Employment Benefit Plan  
September 30, 2016

Fiscal Year <u>End</u>	Actuarial Valuation <u>Date</u>	(a) Actuarial Value of <u>Assets</u>	(b) Actuarial Accrued Liability <u>(AAL)</u>	(b-a) Unfunded <u>AAL (UAAL)</u>	(a/b) Fund <u>Ratio</u>	(c) Covered <u>Payroll</u>	(b-a/c) UAAL as a Percentage of Covered <u>Payroll</u>
09/30/09	10/1/2008	\$ -	\$ 14,668,000	\$ 14,668,000	0%	\$ 5,328,372	275.28%
09/30/10	10/1/2008	-	14,668,000	14,668,000	0%	5,692,941	257.65%
09/30/11	10/1/2008	-	14,668,000	14,668,000	0%	5,841,555	251.09%
09/30/12	10/1/2011	-	20,481,000	20,481,000	0%	5,948,848	345.00%
09/30/13	10/1/2011	-	20,481,000	20,481,000	0%	5,755,744	356.00%
09/30/14	10/1/2011	-	20,481,000	20,481,000	0%	5,907,187	347.00%
09/30/15	10/1/2014	-	10,342,000	10,342,000	0%	6,053,895	170.83%
09/30/16	10/1/2014	-	10,342,000	10,342,000	0%	6,795,863	152.18%

See independent auditors' report.

**SCHEDULE 4**

CITY OF MINDEN, LOUISIANA  
Schedule of Proportionate Share of Net Pension Liability  
September 30, 2016

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Municipal Employees' Retirement System					
2015	2.116933%	\$ 7,562,018	\$ 3,613,092	209%	66.18%
2016	2.113222%	8,661,486	3,775,921	229%	62.11%
Municipal Police Employees' Retirement System					
2015	0.430206%	\$ 3,370,211	\$ 1,705,932	198%	70.73%
2016	0.445268%	4,173,416	1,294,652	322%	66.04%
Firefighters' Retirement System					
2015	0.273126%	\$ 1,474,113	\$ 580,443	254%	72.45%
2016	0.282144%	1,845,477	895,307	206%	68.16%
Louisiana State Employees' Retirement System					
2015	0.00031%	\$ 20,974	\$ 3,462	606%	62.66%
2016	0.00034%	26,699	6,231	428%	57.73%

**Notes:**

The amounts presented have a measurement date of June 30, 2016.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

See independent auditors' report.

**SCHEDULE 5**

CITY OF MINDEN, LOUISIANA  
Schedule of Employer Contributions  
September 30, 2016

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contribution as a Percentage of Covered Employee Payroll</u>
Municipal Employees' Retirement System					
2015	\$ 709,988	\$ 709,988	\$ -	\$3,594,876	19.75%
2016	746,485	746,485	-	3,650,165	20.45%
Municipal Police Employees' Retirement System					
2015	\$ 360,404	\$ 360,404	\$ -	\$1,165,145	30.93%
2016	376,862	376,862	-	1,254,048	30.05%
Firefighters' Retirement System					
2015	\$ 165,271	\$ 165,271	\$ -	\$ 575,259	28.73%
2016	231,949	231,949	-	981,338	23.64%
Louisiana State Employees' Retirement System					
2015	\$ 1,637	\$ 1,637	\$ -	\$ 4,385	37.33%
2016	2,322	2,322	-	6,000	38.70%

**Notes:**

The amounts presented were determined as of the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

See independent auditors' report.

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Combining Statements – Nonmajor governmental funds
- Schedule of Compensation, Benefits and Other Payments to Agency Head  
Or Chief Executive Officer

**CITY OF MINDEN, LOUISIANA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**September 30, 2016**

	<u>Special Revenue</u>		<u>Capital Project</u>	<u>Debt Service</u>	
	<u>Drug Task Force Fund</u>	<u>Refunding Bonds Series, 2002</u>	<u>Capital Improvements Street Fund</u>	<u>Sales Tax Refunding Bonds, Series 2010</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 19,120	\$ -	\$ 8,242	\$ 277,045	\$ 304,407
Investments	-	573,338	-	-	573,338
Accounts receivable	-	2,086	-	-	2,086
<b>TOTAL ASSETS</b>	<b>\$ 19,120</b>	<b>\$ 575,424</b>	<b>\$ 8,242</b>	<b>\$ 277,045</b>	<b>\$ 879,831</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts, salaries, and other payables	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
FUND BALANCES					
Restricted	19,120	575,424	-	277,045	871,589
Assigned	-	-	8,242	-	8,242
<b>TOTAL FUND BALANCES</b>	<b>19,120</b>	<b>575,424</b>	<b>8,242</b>	<b>277,045</b>	<b>879,831</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 19,120</b>	<b>\$ 575,424</b>	<b>\$ 8,242</b>	<b>\$ 277,045</b>	<b>\$ 879,831</b>

See independent auditors' report.

**CITY OF MINDEN, LOUISIANA**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended September 30, 2016**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt Service</u>	
	<u>Drug Task Force Fund</u>	<u>Refunding Bonds Series, 2002</u>	<u>Capital Improvements Street Fund</u>	<u>Sales Tax Refunding Bonds, Series 2010</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Fines and forfeitures	\$ 10,389	\$ -	\$ -	\$ -	\$ 10,389
Investment earnings	-	4,585	-	231	4,816
Other revenues	136	-	-	-	136
Total revenues	<u>10,525</u>	<u>4,585</u>	<u>-</u>	<u>231</u>	<u>15,341</u>
EXPENDITURES					
Public safety	13,396	-	-	-	13,396
Debt service	-	-	-	351,275	351,275
Total expenditures	<u>13,396</u>	<u>-</u>	<u>-</u>	<u>351,275</u>	<u>364,671</u>
Excess (deficiency) of revenues over (under) expenditures	(2,871)	4,585	-	(351,044)	(349,330)
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	356,300	356,300
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,300</u>	<u>356,300</u>
Net change in fund balance	(2,871)	4,585	-	5,256	6,970
Fund balances -- beginning	<u>21,991</u>	<u>570,839</u>	<u>8,242</u>	<u>271,789</u>	<u>872,861</u>
Fund balances -- ending	<u>\$ 19,120</u>	<u>\$ 575,424</u>	<u>\$ 8,242</u>	<u>\$ 277,045</u>	<u>\$ 879,831</u>

See independent auditors' report.



**CITY OF MINDEN, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**Nonmajor Governmental Fund - Sales Tax Refunding Bonds, Series 2010**  
**Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Interest	\$ 150	\$ 150	\$ 231	\$ 81
Total revenues	<u>150</u>	<u>150</u>	<u>231</u>	<u>81</u>
<b>EXPENDITURES</b>				
Debt service	<u>349,275</u>	<u>349,275</u>	<u>351,275</u>	<u>(2,000)</u>
Total expenditures	<u>349,275</u>	<u>349,275</u>	<u>351,275</u>	<u>(2,000)</u>
Excess (deficiency) of revenues over (under) expenditures	(349,125)	(349,125)	(351,044)	(1,919)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>349,125</u>	<u>349,125</u>	<u>356,300</u>	<u>7,175</u>
Total other financing sources	<u>349,125</u>	<u>349,125</u>	<u>356,300</u>	<u>7,175</u>
Net change in fund balance	-	-	5,256	5,256
Fund balance at beginning of year	<u>271,789</u>	<u>271,789</u>	<u>271,789</u>	<u>-</u>
Fund balance at end of year	<u>\$ 271,789</u>	<u>\$ 271,789</u>	<u>\$ 277,045</u>	<u>\$ 5,256</u>

See independent auditors' report.

**CITY OF MINDEN, LOUISIANA**

**Schedule of Compensation Paid Board Members  
For the Year Ended September 30, 2016**

The City of Minden, Louisiana paid the following amounts for compensation to the mayor and members of the City Council as of September 30, 2016:

	<u>Compensation</u>	<u>Car Allowance</u>
Mayor -		
Tommy Davis	\$ 72,000	\$ -
City Council		
Fayrine A. Kennon-Gilbert	10,800	1,200
Benny Gray	13,726	1,200
Wayne Edwards	10,800	1,200
Vincen Bradford	10,800	1,200
Mike Toland	<u>10,800</u>	<u>1,200</u>
	<u>\$ 128,926</u>	<u>\$ 6,000</u>

See independent auditors' report.

**CITY OF MINDEN, LOUISIANA**

**Schedule of Compensation, Benefits and Other Payments  
to Agency Head  
For the Year Ended September 30, 2016**

Agency Head: Tommy Davis, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 72,000
Benefits - insurance	10,007
Benefits - retirement	14,718
Cellphone	1,020
Conference fees	200
Travel	430
Uniforms	290
Meals	142

See independent auditors' report.

## **OTHER REPORTS**

# WISE, MARTIN & COLE, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

601 MAIN STREET P.O. BOX 897  
MINDEN, LOUISIANA 71058-0897  
(318) 377-3171  
FAX (318) 377-3177

MICHAEL W. WISE, C.P.A.  
CARLOS E. MARTIN, C.P.A.  
KRISTINE H. COLE, C.P.A.

AMMINI S. KUMAR, C.P.A.  
KRISTIE K. MARTIN, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## 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*

The Honorable Tommy Davis, Mayor,  
and the Members of the Board of Aldermen  
City of Minden, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minden, Louisiana, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Minden, Louisiana's basic financial statements and have issued our report thereon dated March 22, 2017. We issued an adverse opinion on the aggregate discretely presented component units and an unmodified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Our report includes a reference to other auditors who audited the financial statements of City of Minden, Employee Benefit Plan & Trust as described in our report on the City of Minden, Louisiana's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Minden, Louisiana'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and

was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of current year findings as item 2016-01 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Minden, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of current year findings as item 2016-02.

### **City of Minden, Louisiana's Response to Findings**

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

### **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of these reports may be limited, under Louisiana Revised State 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Wise Martin & Cole LLC*

Minden, Louisiana  
March 22, 2017

CITY OF MINDEN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

For the Year Ended September 30, 2016

**2016-01 Controls over collections**

Criteria: Internal controls should be in place to ensure that adequate controls exist over decentralized collections of revenues.

Condition: During our audit, we noted a lack of controls over the collection process.

Cause: Collection of fines are made at the police department. Amounts collected by the police department are reconciled to subsidiary documentation to ensure appropriate amounts are deposited by the same person involved in the collection process. The reconciliation is not performed by someone outside of the collection process.

We also noted separate instances with the City where the same employee who invoices customers also handles collections, or prepares deposit and records transactions.

Effect: Without proper segregation of duties over collections, errors or irregularities could occur and not be detected.

Recommendation: We suggest that an employee independent of the receivable function prepare a list of daily collections. Another employee should be responsible for retaining the checks and making the actual deposit. Also, a reconciliation of amounts collected and deposited for traffic fines to the subsidiary records on a periodic basis by someone independent of the collection process.

View of Responsible Office and Corrective Action Plan

See management's response on attached letter.

**2016-02 Possible violation of Article VII, Section 14 of Louisiana Constitution**

Criteria: The Louisiana Constitution Article VII, Section 14, states that funds, credit, property or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Condition: In the prior year, the City's internal review of payroll calculations indicated both overpayments and underpayments being made to certain employees of the police and fire departments.

On May 9, 2016, the Council action to settle fire and police payroll errors authorized settlement of payments due to fire department employees to be calculated retroactive to their date of hire in regards

## CITY OF MINDEN, LOUISIANA

### SCHEDULE OF CURRENT YEAR FINDINGS

For the Year Ended September 30, 2016

to longevity and supplemental pay and a calculation of three years back regarding overtime and holiday pay. On May 9, 2016, the City also authorized collection of overpayments made to fire department employees.

Although the City was authorized to collect overpayments to fire department employees, it was noted that one fire department employee was overpaid \$4,459 from May 2006 through June 2016, however, the settlement amount due back to the City from this employee was limited to \$937, representing the portion of overpayments made over the last three years.

Cause: On May 9, 2016, the City authorized collection of overpayments from fire department employees, however, limited the calculation to three years back.

Effect: Due to the nature of the settlement authorized by the City, we were unable to determine whether the City's decision to calculate a portion of the repayment retroactive to date of hire, but limit the overpayment calculation to three years back was a violation of the Louisiana constitution.

Recommendation: We recommend that the City continue follow its procedures over payroll to ensure that amounts are appropriately paid for employee services in accordance with the law, civil service rules and City policy.

#### View of Responsible Office and Corrective Action Plan

See management's response on attached letter.

#### **ML 2016-01 Capital asset recordkeeping**

Criteria: Louisiana Revised Statutes 24:515B requires the municipality to maintain records of its capital assets. The listing of capital assets is to be updated each year for assets acquired and disposed. Failure to identify and periodically account for municipal assets/property exposes the municipality to possible loss, theft and misuse of assets.

Condition: We observed 4 exceptions when testing the capital asset inventory listing maintained by the City. The exceptions indicated instances where the City's internal listing was not updated for additions, deletions, or errors.

Cause: Unknown

Effect: The City's internal asset listing was not updated for additions and deletions, or errors.



CITY OF MINDEN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

For the Year Ended September 30, 2016

Recommendation: We recommend that the City review its system of updating its internal capital asset inventory to ensure that departments are updating the list for additions and deletions. We recommend that the listing be periodically checked by someone outside of the department to ensure that the list is complete and disposals are properly documented and approved.

View of Responsible Office and Corrective Action Plan

See management's response on attached letter.

**ML 2016-02 Bank reconciliations**

Criteria: Proper internal controls over bank reconciliations include a regular review of bank reconciliations to investigate and properly adjust reconciling items which are not clearing.

Condition: During our test of the City's bank reconciliations, we noted a number of reconciling items which continued to be carried over from prior years which were not clearing. Several items listed as reconciling items were being carried forward from several years back. These items were not followed up timely so that transactions could be properly recorded in the general ledger.

Cause: Unknown

Effect: Continuing to carry old outstanding reconciling items affects an accurate cash balance.

Recommendation: We recommend that reconciling items be researched promptly so that corrective action may be taken, where necessary, to dispose of them. We suggest that all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

View of Responsible Office and Corrective Action Plan

See management's response on attached letter.

CITY OF MINDEN, LOUISIANA

Summary Schedule of Prior Year Findings  
For the Year Ended September 30, 2016

**2015-01 Public bid law requirements**

Finding: Louisiana Revised Statutes 38:2211-38:2226, govern the process for letting contracts or obtaining quotes when entering into contract for purchases of material and supplies or contracts for public works projects that cost in excess of \$150,000.

Status: Resolved.

**2015-02 Controls over payroll**

Finding: During the year, the City's internal review of payroll calculations revealed both overpayments and underpayments being made to certain employees of the police and fire departments. Overpayments to employees may be a prohibited donation of public funds and a violation of the state Constitution.

Status: Partially resolved, see 2016-02.

**ML 2015-01 Capital asset recordkeeping**

Finding: Louisiana Revised Statute 24:515B requires the municipality to maintain records of its capital assets. The listing of capital assets is to be updated each year for assets acquired and disposed. Failure to identify and periodically account for municipality assets/property exposes the municipality to possible loss, theft, and misuse of assets.

Status: Not resolved, see ML 2016-01.

**ML 2015-02 Process over supplemental pay**

Finding: When certifying the number of full-time officers employed by the City, the City failed to remove a police officer who left the employment of the City on September 2, 2013, from the supplemental pay warrants submit to the state treasurer.

Status: Resolved.

**ML 2015-03 Enforcement of agreements**

Finding: The City entered into a commercial lease with a corporation to lease all of the concession stands and related movables, with certain exceptions. The lease was for a term of seven (7) months, commencing on April 1, 2015, and ending on October 31, 2015, with a monthly rental. The lessee was in default as of September 30, 2015, with the City receiving only three (3) payments from the lessee. No written notice

CITY OF MINDEN, LOUISIANA

Summary Schedule of Prior Year Findings  
For the Year Ended September 30, 2016

has been provided to the lessee exercising any options to cancel or collect.

Status: Resolved.

**ML 2015-04 Controls over utility billings**

Finding: The City's failed to enforce cut-off policies and procedures for certain City employees and officials designed to ensure that all delinquent accounts are collected on a timely basis or that service is discontinued.

Status: Resolved.

# WISE, MARTIN & COLE, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

601 MAIN STREET P.O. BOX 897  
MINDEN, LOUISIANA 71058-0897  
(318) 377-3171  
FAX (318) 377-3177

MICHAEL W. WISE, C.P.A.  
CARLOS E. MARTIN, C.P.A.  
KRISTINE H. COLE, C.P.A.

AMMINI S. KUMAR, C.P.A.  
KRISTIE K. MARTIN, C.P.A.

## MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

### **Management Letter**

The Honorable Tommy Davis, mayor,  
And the Members of the Board of Aldermen  
City of Minden, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minden, Louisiana as of and for the year ended September 30, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated March 22, 2017. 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.

As part of our examination, we have issued our report on the financial statements, dated March 22, 2017, and our report on internal control and compliance with laws, regulation, contracts, and grants, dated March 22, 2017.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

#### **ML 2016-01 Capital asset recordkeeping**

Criteria: Louisiana Revised Statutes 24:515B requires the municipality to maintain records of its capital assets. The listing of capital assets is to be updated each year for assets acquired and disposed. Failure to identify and periodically account for municipal assets/property exposes the municipality to possible loss, theft and misuse of assets.

Condition: We observed four exceptions when testing the capital asset inventory listing maintained by the City.

Cause: Unknown

Effect: The City's internal asset listing was not updated for additions and deletions, or errors.

Recommendation: We recommend that the City review its system of updating its internal capital asset inventory to ensure that departments are updating the list for additions and deletions. We recommend that the listing be periodically checked by someone outside of the department to ensure that the list is complete and disposals are properly documented and approved.

**ML 2016-02 Bank reconciliations**

Criteria: Proper internal controls over bank reconciliations include a regular review of bank reconciliations to investigate and properly adjust reconciling items which are not clearing on a timely basis.

Condition: During our test of the City's bank reconciliations, we noted a number of reconciling items which continued to be carried over from prior years which were not clearing. Several items listed as reconciling items were being carried forward from several years back. These items were not followed up timely so that transactions could be properly recorded in the general ledger.

Cause: Unknown

Effect: Continuing to carry old outstanding reconciling items affects an accurate cash balance.

Recommendation: We recommend that reconciling items be researched promptly so that corrective action may be taken, where necessary, to dispose of them. We suggest that all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

*Wise Martin & Cole LLC*

Minden, Louisiana

March 22, 2017



Tommy Davis, Mayor  
www.mindenusa.com

520 Broadway • P . O . Box 580 • Minden, Louisiana 71058 • Telephone (318) 377-2144 • Fax (318) 371-4200

Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

To whom it may concern,

In reference to the City of Minden's Annual Financial Report for the year ended September 30, 2016 and the Schedule of Current Year Findings, the management of the City of Minden would like to provide the following response:

#### **2016-01 Controls over Collections**

In reference to the collection of fines in the Police Department we will approach the City Court to take over the collection process to avoid errors or irregularities.

Furthermore, in regards to instances where the same employee was issuing invoices and collecting/depositing Hangar Rental Fees, the duties of this employee have been segregated.

#### **2016-02 Possible violation of Article VII, Section 14 of Louisiana Constitution**

The City Council, on May 09, 2016, decided in a 3-2 decision to settle payroll errors for employees of the fire department by authorizing payments due to the employee to be calculated retroactive to the date of hire and limiting the calculation of overpayments to fire department employees to the statute of limitations (3 years).

Meanwhile the City has implemented several layers of controls, by different employees, to avoid any similar errors.

Michael Fluhr  
City Clerk - Treasurer

George W. Rolfe, Jr.  
Public Works Director

Charles Minifield  
City Attorney

Wayne Edwards  
Councilman - District A

Fayrine A. Kennon-Gilbert  
Councilwoman - District B

Vincen Bradford  
Councilman - District C

Mike Toland  
Councilman - District D

Benny Gray  
Councilman - District E



### **ML 2016-01 Capital asset recordkeeping**

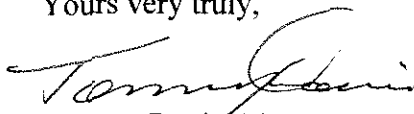
The City's internal capital asset inventory with the 4 observed errors will be corrected and updated. We also implement an additional count for municipal assets/property after the first six month of the fiscal year with periodical checks from a person outside the department. Supervisors have been instructed and advised of the importance of the correctness of the capital asset inventory.

### **ML 2016-02 Bank reconciliations**

The Asst. City Clerk has being instructed, in a timely manner, to reconcile items affecting accurate cash balances and identify and correct errors and adjustments. The City Clerk will review on a monthly basis the reconciliation process.

If there are any further questions need to be answered, please feel free to contact me.

Yours very truly,

  
Tommy Davis, Mayor  
City o Minden

Michael Fluhr  
*City Clerk - Treasurer*

George W. Rolfe, Jr.  
*Public Works Director*

Charles Minifield  
*City Attorney*

Wayne Edwards  
*Councilman - District A*

Fayrine A. Kennon-Gilbert  
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Mike Toland  
*Councilman - District D*

Benny Gray  
*Councilman - District E*

