

CITY OF DERIDDER, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Honorable Ronald Roberts, Mayor
and Members of the City Council
DeRidder, Louisiana

Report on the Financial Statements

I 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 DeRidder, Louisiana, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, 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 DeRidder, Louisiana as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, on pages 46-48, other postemployment benefits funding schedule on page 49, schedule of the city's proportionate share of the net pension liability on page 50, and schedule of the city's contributions on page 51 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeRidder, Louisiana's basic financial statements. The schedule of compensation of board members, and schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation of board members and the schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain addition 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 my opinion, the schedule of compensation of board members and the schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 7, 2016, on my consideration of the City of DeRidder, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of DeRidder, Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana
March 7, 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position
September 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,431,162	\$ 3,173,559	\$ 7,604,721
Receivables:			
Franchise taxes	129,953	-	129,953
Alcohol taxes	5,761	-	5,761
Sales taxes	556,206	-	556,206
Accounts	4,180	450,063	454,243
Federal grants	24,442	-	24,442
State grants	149,913	-	149,913
Local grants	16,826	-	16,826
Restricted cash and cash equivalents	56,680	36,500	93,180
Capital assets, not being depreciated	3,269,454	59,424	3,328,878
Capital assets, being depreciated - net	10,071,809	13,371,388	23,443,197
Total assets	<u>\$ 18,716,386</u>	<u>\$ 17,090,934</u>	<u>\$ 35,807,320</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	\$ 1,107,625	\$ 39,726	\$ 1,147,351
Total assets and deferred outflows of resources	<u>\$ 19,824,011</u>	<u>\$ 17,130,660</u>	<u>\$ 36,954,671</u>
LIABILITIES			
Accounts payable	\$ 150,227	\$ 23,520	\$ 173,747
Salaries payable	74,127	16,737	90,864
Payroll deductions payable	152,080	30,955	183,035
Contracts payable	-	36,500	36,500
Accrued interest payable	4,096	-	4,096
Long term debt:			
Due within one year	50,000	-	50,000
Due in more than one year	450,000	-	450,000
Net OPEB obligation	4,980,238	877,763	5,858,001
Net pension liability	6,702,463	159,353	6,861,816
Accrued compensated absences	582,901	172,931	755,832
Customer deposits	-	157,762	157,762
Total liabilities	<u>\$ 13,146,132</u>	<u>\$ 1,475,521</u>	<u>\$ 14,621,653</u>
DEFERRED INFLOWS OF RESOURCES			
Pension contributions	\$ 435,393	\$ 5,559	\$ 440,952
Total liabilities and deferred inflows of resources	<u>\$ 13,581,525</u>	<u>\$ 1,481,080</u>	<u>\$ 15,062,605</u>
NET POSITION			
Net investment in capital assets	\$ 12,841,263	\$ 13,430,812	\$ 26,272,075
Restricted for:			
Sales tax	1,063,480	-	1,063,480
Bond retirement	6,680	-	6,680
Unrestricted	(7,668,937)	2,218,768	(5,450,169)
Total net position	<u>\$ 6,242,486</u>	<u>\$ 15,649,580</u>	<u>\$ 21,892,066</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,824,011</u>	<u>\$ 17,130,660</u>	<u>\$ 36,954,671</u>

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2015

Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government and administration	\$ 1,665,666	\$ 1,738	\$ -	\$ -	\$ (1,663,928)	\$ -	\$ (1,663,928)
Public safety	6,852,738	7,516	96,361	1,324	(6,747,537)	-	(6,747,537)
Public works	2,521,796	27,695	-	-	(2,494,101)	-	(2,494,101)
Culture & recreation	223,704	-	-	1,218,382	994,678	-	994,678
Transit	327,153	33,181	422,041	100,236	228,305	-	228,305
Interest on long term debt	11,905	-	-	-	(11,905)	-	(11,905)
Unallocated depreciation**	32,421	-	-	-	(32,421)	-	(32,421)
Total governmental activities	\$ 11,635,383	\$ 70,130	\$ 518,402	\$ 1,319,942	\$ (9,726,909)	\$ -	\$ (9,726,909)
Business-type activities:							
Water and sewer	\$ 3,048,021	\$ 2,488,983	\$ 2,510	\$ 34,698	\$ -	\$ (521,830)	\$ (521,830)
Total government	\$ 14,683,404	\$ 2,559,113	\$ 520,912	\$ 1,354,640	\$ (9,726,909)	\$ (521,830)	\$ (10,248,739)
General revenues:							
Taxes:							
Ad valorem taxes					\$ 744,118	\$ -	\$ 744,118
Sales taxes					6,650,230	-	6,650,230
Insurance premium tax					51,274	-	51,274
Chain store tax					17,220	-	17,220
Franchise tax					596,048	-	596,048
Alcohol tax					21,915	-	21,915
Occupational licenses and permits					668,500	3,964	672,464
Investment earnings					4,589	2,516	7,105
Gain (Loss) on sale of assets					37,248	-	37,248
Rental income					46,800	-	46,800
Insurance proceeds					42,460	-	42,460
Donations					17,829	-	17,829
Miscellaneous					35	-	35
Transfers in					4,310,846	-	4,310,846
Transfers out					(4,310,846)	-	(4,310,846)
					\$ 8,898,266	\$ 6,480	\$ 8,904,746
					\$ (828,643)	\$ (515,350)	\$ (1,343,993)
Net position at beginning of year					10,734,168	16,272,021	27,006,189
Prior period adjustment					(3,663,039)	(107,091)	(3,770,130)
Net position at end of year					\$ 6,242,486	\$ 15,649,580	\$ 21,892,066

** Unallocated depreciation excludes direct depreciation expenses of the City's various programs

The accompanying notes are an integral part of the statement.

Balance Sheet
Governmental Funds
September 30, 2015

	Major Funds			Total Governmental Funds
	General	Sales Tax Fund	Street Construction J Fund	
ASSETS				
Cash and cash equivalents	\$ 1,803,183	\$ 665,635	\$ 1,871,844	\$ 4,340,662
Receivables:				
Franchise taxes	129,953	-	-	129,953
Alcohol taxes	5,761	-	-	5,761
Sales taxes	-	556,206	-	556,206
Accounts receivable	4,180	-	-	4,180
Intergovernmental:				
Federal grants	24,442	-	-	24,442
State grants	149,913	-	-	149,913
Local grants	16,826	-	-	16,826
Restricted assets - cash	56,680	-	-	56,680
Total assets	<u>\$ 2,190,938</u>	<u>\$ 1,221,841</u>	<u>\$ 1,871,844</u>	<u>\$ 5,284,623</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 31,050	\$ 115,664	\$ 2,197	\$ 148,911
Salaries payable	59,260	14,867	-	74,127
Payroll deductions payable	124,250	27,830	-	152,080
Total liabilities	<u>\$ 214,560</u>	<u>\$ 158,361</u>	<u>\$ 2,197</u>	<u>\$ 375,118</u>
Fund Balances:				
Restricted	\$ 56,680	\$ 1,063,480	\$ -	\$ 1,120,160
Committed	-	-	1,869,647	1,869,647
Assigned	1,281,427	-	-	1,281,427
Unassigned	638,271	-	-	638,271
Total fund balances	<u>\$ 1,976,378</u>	<u>\$ 1,063,480</u>	<u>\$ 1,869,647</u>	<u>\$ 4,909,505</u>
Total liabilities and fund balances	<u>\$ 2,190,938</u>	<u>\$ 1,221,841</u>	<u>\$ 1,871,844</u>	<u>\$ 5,284,623</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position
September 30, 2015

Total fund balance - total governmental funds	\$	4,909,505
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.		12,903,612
Internal service funds are used to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		89,184
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(4,096)
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net position in order to show those assets net of related debt in the net assets section of the government wide statement of net position.		437,651
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows.		1,107,625
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows.		(435,393)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Long term debt	\$	(500,000)
Net OPEB obligation		(4,980,238)
Net pension liability		(6,702,463)
Accrued compensated absences		(582,901)
		(12,765,602)
Net position of governmental activities	\$	6,242,486

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2015

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Street Construction J Fund</u>	
Revenues				
Taxes:				
Ad valorem	\$ 744,118	\$ -	\$ -	\$ 744,118
Sales tax	-	6,650,230	-	6,650,230
Insurance premium tax	51,274	-	-	51,274
Chain store tax	17,220	-	-	17,220
Franchise tax	596,048	-	-	596,048
Alcohol tax	21,915	-	-	21,915
Intergovernmental:				
Federal grants	463,348	-	-	463,348
State grants	1,295,954	-	-	1,295,954
Local grants	79,042	-	-	79,042
Occupational licenses and permits	668,500	-	-	668,500
Fees and charges for services	55,550	14,580	-	70,130
Investment income	2,048	730	1,704	4,482
Rental income	46,800	-	-	46,800
Donations	17,829	-	-	17,829
Miscellaneous	-	35	-	35
Total revenues	<u>\$ 4,059,646</u>	<u>\$ 6,665,575</u>	<u>\$ 1,704</u>	<u>\$ 10,726,925</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2015

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Street Construction J Fund</u>	
Expenditures				
Current operating:				
General government	\$ 888,425	\$ 512,030	\$ -	\$ 1,400,455
Public safety	3,861,881	-	-	3,861,881
Public works	-	2,069,597	-	2,069,597
Culture & recreation	137,409	-	-	137,409
Transit	258,960	-	-	258,960
Debt service:				
Principal	-	-	-	-
Interest and charges	7,809	-	-	7,809
Capital outlay	2,682,323	68,429	97,074	2,847,826
Total expenditures	<u>\$ 7,836,807</u>	<u>\$ 2,650,056</u>	<u>\$ 97,074</u>	<u>\$ 10,583,937</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,777,161)</u>	<u>\$ 4,015,519</u>	<u>\$ (95,370)</u>	<u>\$ 142,988</u>
Other financing sources (uses)				
Transfer in	\$ 3,698,846	\$ 12,000	\$ 600,000	\$ 4,310,846
Transfer out	(12,000)	(4,298,846)	-	(4,310,846)
Sale of assets	41,311	2,318	-	43,629
Bond proceeds	500,000	-	-	500,000
Total other financing sources (uses)	<u>\$ 4,228,157</u>	<u>\$ (4,284,528)</u>	<u>\$ 600,000</u>	<u>\$ 543,629</u>
Net change in fund balance	\$ 450,996	\$ (269,009)	\$ 504,630	\$ 686,617
Fund balances at beginning of year	1,525,382	1,332,489	1,365,017	4,222,888
Fund balances at end of year	<u>\$ 1,976,378</u>	<u>\$ 1,063,480</u>	<u>\$ 1,869,647</u>	<u>\$ 4,909,505</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ 686,617
Amounts reported for governmental activities in the statement of activities are different because:	
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(2,736)
Pension expense is based on employer contributions in the governmental funds, but is an actuarially calculated expense on the Statement of Activities.	(2,367,192)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
General fund	2,682,323
Sales tax fund	68,429
Capital projects fund	97,074
Internal service fund	<u>12,445</u>
	2,860,721
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(579,787)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(6,381)
Accrued interest on long term debt is not shown in the governmental funds.	(4,096)
The issuance of long-term debt (e.g. bonds) 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 issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the 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.	(500,000)
Governmental funds do not report net change in other postemployment benefits (OPEB) obligations. However this obligation does appear in the Statement of Activities since the payable is reported on the Statement of Net Position.	(915,311)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	
The net income of the internal service funds is reported with governmental activities.	<u>(28)</u>
Change in net position of governmental activities:	<u><u>\$ (828,643)</u></u>

The accompanying notes are an integral part of this statement.

Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Activities Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,173,559	\$ 90,500
Receivables:		
Accounts	450,063	-
Total current assets	\$ 3,623,622	\$ 90,500
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 36,500	\$ -
Capital assets not being depreciated	59,424	-
Capital assets being depreciated - net	13,809,039	-
Total noncurrent assets	\$ 13,904,963	\$ -
Total assets	\$ 17,528,585	\$ 90,500
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions	\$ 39,726	\$ -
Total assets and deferred outflows of resources	\$ 17,568,311	\$ 90,500
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 23,520	\$ 1,316
Salaries payable	16,737	-
Payroll deductions payable	30,955	-
Other postemployment benefits	180,495	-
Total current liabilities	\$ 251,707	\$ 1,316
Liabilities payable from restricted assets		
Contracts payable	\$ 36,500	\$ -
Noncurrent Liabilities		
Customer deposits	\$ 157,762	\$ -
Compensated absences	172,931	-
Other postemployment benefits	697,268	-
Net pension liability	159,353	-
Total noncurrent liabilities	\$ 1,187,314	\$ -
Total liabilities	\$ 1,475,521	\$ 1,316
DEFERRED INFLOWS OF RESOURCES		
Pension contributions	\$ 5,559	\$ -
Total liabilities and deferred inflows of resources	\$ 1,481,080	\$ 1,316
NET POSITION		
Net investment in capital assets	\$ 13,868,463	\$ -
Unrestricted	2,218,768	89,184
Total net position	\$ 16,087,231	\$ 89,184
Total liabilities, deferred inflows of resources, and net position	\$ 17,568,311	\$ 90,500

The accompanying notes are an integral part of this statement.

Reconciliation of the Proprietary Funds Statement of Net Position
to the Statement of Net Position
For the Year Ended September 30, 2015

Amounts reported for business-type activities in the statement of net position are different because:

Total net position for proprietary funds statement of net position	\$ 16,087,231
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net position in order to show those assets net of related debt in the net asset section of the government-wide statement of net position.	<u>(437,651)</u>
Net position of business-type activities	<u><u>\$ 15,649,580</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended September 30, 2015

	Business-type Activities Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service Funds
Operating revenues		
Charges for services	\$ 2,488,983	\$ -
Total operating revenues	<u>\$ 2,488,983</u>	<u>\$ -</u>
Operating expenses		
Personal services	\$ 1,331,904	\$ -
Supplies	314,522	-
Contractual services	569,237	-
Depreciation	847,320	-
Claims	-	30,150
Capital outlay	-	12,445
Total operating expenses	<u>\$ 3,062,983</u>	<u>\$ 42,595</u>
Income (loss) from operations	<u>\$ (574,000)</u>	<u>\$ (42,595)</u>
Nonoperating revenues (expenses)		
Interest income	\$ 3,964	\$ 107
Insurance proceeds	-	42,460
Gain on sale of assets	2,516	-
Total nonoperating revenues (expenses)	<u>\$ 6,480</u>	<u>\$ 42,567</u>
Income (loss) before transfers	\$ (567,520)	\$ (28)
Capital contributions	<u>37,208</u>	<u>-</u>
Change in net position	\$ (530,312)	\$ (28)
Net position at beginning of year	16,724,634	89,212
Prior period adjustment	(107,091)	-
Net position at end of year	<u>\$ 16,087,231</u>	<u>\$ 89,184</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues,
Expenses, and Changes in Net Position
of Proprietary Funds to the Statement of Activities

For the Year Ended September 30, 2015

Net change in net position - total proprietary funds	\$ (530,312)
Depreciation on capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of activities.	<u>14,962</u>
Change in net position of proprietary activities	<u>\$ (515,350)</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities Enterprises Fund	Governmental Activities
	Water and Sewer	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 2,455,346	\$ -
Cash payments to suppliers for goods and services	(912,048)	(41,279)
Cash payments for employee services and employee related fringe benefits	(1,223,887)	-
Net cash provided (used) by operating activities	\$ 319,411	\$ (41,279)
Cash flows from noncapital financing activities:		
Insurance proceeds	-	42,998
Net cash provided (used) for noncapital financing activities	\$ -	\$ 42,998
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (199,581)	\$ -
Gain on sale of assets	4,416	-
Grant revenue received	37,208	-
Net cash provided (used) for capital and related financing activities	\$ (157,957)	\$ -
Cash flows from investing activities:		
Interest on cash management activities:	\$ 3,964	\$ 107
Net increase (decrease) in cash and cash equivalents	\$ 165,418	\$ 1,826
Cash and cash equivalents, beginning of year	3,044,641	88,674
Cash and cash equivalents, end of year	\$ 3,210,059	\$ 90,500

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities Enterprises Fund	Governmental Activities
	Water and Sewer	Internal Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (574,000)</u>	<u>\$ (42,595)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	\$ 847,320	\$ -
Increase in accounts receivable	(34,476)	-
Increase (decrease) in accounts payable	(29,489)	1,316
Increase in contracts payable	1,200	-
Decrease in salaries payable	(2,763)	-
Increase in employee benefits payable	978	-
Increase in customer deposits	839	-
Decrease in compensated absences payable	(60,584)	-
Increase in other postemployment benefits payable	152,291	-
Increase in deferred outflows	(35,524)	-
Increase in net pension liability	48,060	-
Increase in deferred inflows	5,559	-
Total adjustments	<u>\$ 893,411</u>	<u>\$ 1,316</u>
Net cash provided (used) by operating activities:	<u>\$ 319,411</u>	<u>\$ (41,279)</u> (Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

City of DeRidder, Louisiana

Notes to the Financial Statements
As of and for the Year Ended September 30, 2015

INTRODUCTION

The City of DeRidder was incorporated under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government under a home rule charter.

The accounting and reporting policies of the City of DeRidder conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The City is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 10,500 residents. The governing board is composed of seven elected council members that are compensated for regular and special board meetings. There are approximately one hundred-twenty employees who provide various services to the residents. The City maintains approximately 74 miles of roadways within the city limits.

The City maintains various funds that provide services and benefits to the residents. The general fund provides police and fire protection, and culture and recreational activities. The sales tax fund and street construction fund provides public works of highway and street maintenance and solid waste collection and disposal. The utility fund provides water and sewer services to approximately 4,400 residents. Other funds are established as needed for specific projects undertaken by the City.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality 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. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Blended Components Units

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipalities are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantially the same, or the organization must provide services entirely to the municipality and blended with the appropriate municipality funds:

The City of DeRidder had no blended component units as of September 30, 2015.

Discretely Presented Component Units

Component units that are legally separate from the municipality, but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented.

The City of DeRidder had no discretely presented component units as of September 30, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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.

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

Special Revenue Fund

The Sales Tax Fund accounts for and reports sales tax revenues that are legally restricted to expenditures for specific purposes.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Capital Projects Funds

The Street Construction J Fund is used to account for and report financial resources that are committed to expenditures for capital outlays including the acquisition or construction of capital facilities or other capital assets.

The municipality reports the following major proprietary funds:

The Proprietary Fund accounts for operations (a) where 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the government reports the following fund types:

Internal Service Funds account for services provided to other departments and agencies of the municipality, or to other governments, on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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. Charges for services of providing water and sewer services to residents comprise the operating revenue of the City's enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City has not established a policy for use of the unrestricted fund balance, therefore it considers committed fund balances to be used first, then assigned fund balances to be used next and finally the unassigned fund balance will be used.

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

C. Deposits and Investments

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

D. Receivables and Payables

Activity 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City levies taxes on real and business personal property located within the boundaries of the City. Property taxes are levied by the City on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the City. Collections are remitted to the City monthly. The City recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2014
Levy date	June 30, 2014
Tax bills mailed	October 15, 2014
Total taxes are due	December 31, 2014
Penalties & interest due	January 31, 2015
Lien date	January 31, 2015
Tax sale	May 31, 2015

For the year ended September 30, 2015, taxes of 10.41 mills were levied on property with an assessed valuation totaling \$69,279,326, and were dedicated as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed
General corporate tax	7.66	7.66	Annually
Police/Fire capital improvements	2.75	2.75	12/31/2015

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff’s sale is held and the property is sold to satisfy the taxes due on the property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Meadwestvaco	Manufacturer	\$ 8,040,329	11.61%	\$ 83,700

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Sales Taxes

The City of DeRidder receives a 1% sales and use tax that is dedicated to constructing, paving, resurfacing and improving streets, sidewalks and bridges; constructing and improving drains and subsurface drainage; and for the purpose of defraying the maintenance expenses thereof; constructing, acquiring and improving public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds. This tax is for an indefinite period.

An additional 1% sales tax, for a twenty year period ending December 31, 2032, is dedicated and used for the following purposes:

41% for constructing, improving, repairing, operating and maintaining public buildings, public streets and sidewalks; drains and drainage facilities; garbage and solid waste collection and disposal facilities; paying the cost of other public services, including grass cutting; and paying the cost of improving or extending city utilities to encourage and induce the location of or additions to industrial enterprises having economic impact upon the city;

55% to pay the cost of providing public safety and fire and police protection services and improving, repairing, operating and maintaining sewers and sewerage collection and disposal works, including the acquisition of furnishings and equipment for any of said purposes;

4% to pay the cost of constructing, improving, repairing, operating and maintaining public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds.

The City of DeRidder also collects a ¼% sales and use tax with the proceeds to be dedicated and used solely for the purpose of supplementing the salaries and benefits of policemen and firemen and improving police and fire protection facilities, including the acquisition of equipment and vehicles for such purpose. This tax has no term limit.

E. Prepaid Items

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

F. Restricted Assets

Certain resources in the general fund have been set aside for the repayment of bonded debt of the City. These resources are classified as restricted assets because their use is limited.

A payment of \$100 per month is deposited into a State of Louisiana reimbursement account. The account was established to reimburse the State for its cost associated with the widening of Highway 171 in prior years. This account is restricted and may be called by the State at its discretion.

G. 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 estimated fair market value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets.

According to GASB 34 the City of DeRidder was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$7,809. No interest was included as part of the cost of capital assets under construction in connection with the City's construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	20-50 years
Buildings and building improvements	20-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

H. Compensated Absences

The City of DeRidder's recognition and measurement criterion for compensated absences follows:

On July 1, 1996, the City enacted new legislation concerning sick leave pay and unpaid vacation. Full time employees earn vacation leave at varying rates depending upon length of service, which also may be accumulated up to a maximum of 160 days. Upon death, retirement, or separation of service from the City, an employee may receive their entire accumulated sick leave pay if he chooses to draw it out over regular pay periods. If the employee chooses to receive the pay in a lump sum he will receive 50% of the accumulated pay. In addition, upon retirement, unused sick leave is used in the retirement benefit computation as earned service.

On March 28, 1994, the sick leave policy was amended to reflect that each employee of the City would receive 4 hours of sick leave per pay period (13 days per year). As an exception, firemen working 53 hours per week will receive 10 hours of sick leave per month. Upon termination (voluntary or involuntary) an employee will receive full pay for accumulated sick leave not to exceed a 60-day limit (480 hours) with payment made by an installment plan based on the hourly rate at retirement.

No sick leave credit hours accumulated under the old sick leave policy will be lost. Upon retirement or termination, remuneration will be made to those employees who have accrued sick leave under the old policy. This payment will be made in installments and capped at the hourly rate as of December 31, 1993.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Notes to the Financial Statements (Continued)

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who accumulated leave are paid. The noncurrent portion of the liability is not reported.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

J. Fund Balances

- Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
- Restricted Amounts that are restricted to specific purposes should be reported as *restricted fund balance*. Fund balance should be reported as restricted when constraints placed on the use of resources are either:
- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - b. Imposed by law through constitutional provisions or enabling legislation.
- Committed Committed fund balance classifications include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision making authority.

Notes to the Financial Statements (Continued)

Assigned	Assigned fund balance classifications include amounts that have been constrained to being used for specific purposes by actions taken by the government itself. However, the authority for making an assignment is not required to be the government's highest level of decision making authority.
Unassigned	Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

K. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position – All other net resources that do not meet the definition of “restricted” or “net investment in capital assets”.

L. 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.

M. 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.

N. Pensions

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

O. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

P. Impact or Recently Issued Accounting Principles

As of October 1, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions – Amendment of GASB Statement 27*, which resulted in a cumulative change in accounting principle and also a restatement of net position.

Q. Change in Accounting Principle

Financial reporting information pertaining to the City’s participation in the MPERS, MERS and FRS is prepared in accordance with Governmental Accounting Standards Board “GASB” Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which have been adopted by the City for the fiscal year ended September 30, 2015.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of MPERS, MERS and FRS have been determined on the same basis as they are reported by MPERS, MERS and FRS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing MPERS, MERS and FRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the City’s proportionate share of the plans net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Net position as of September 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71:

Governmental funds net position as previously reported at September 30, 2014	\$ 10,734,168
Prior Period adjustment:	
Net Pension Liability (measurement date June 30, 2014)	(3,860,972)
Deferred Outflows of Resources:	
Contributions made subsequent to the measurement date during fiscal year ended September 30, 2014	197,933
Total prior period adjustment	\$ (3,663,039)
Governmental funds net position as restated, September 30, 2014	\$ 7,071,129

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Proprietary funds net position as previously report at September 30, 2014	\$ 16,272,021
Prior Period adjustment:	
Net Pension Liability (measurement date June 30, 2014)	(111,293)
Deferred Outflows of Resources:	
Contributions made subsequent to the measurement date during fiscal year ended September 30, 2014	4,202
Total prior period adjustment	\$ (107,091)
Proprietary funds net position as restated, September 30, 2014	\$ 16,164,930

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Director of Finance submits to the Mayor and City Council a proposed operating budget no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. For the fiscal year beginning October 1, 2014 and ending September 30, 2015, the budget was submitted to the City Council on August 25, 2014, and the public hearing was called for. After the public hearing was held, the budget was adopted by ordinance of the City Council.
2. Budgetary appropriations lapse at the end of each fiscal year.
3. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance. The original budget is amended as necessary and all amendments are reflected in the budget comparisons in the financial statements.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS The following individual funds had actual expenditures over budgeted appropriations for the year ended September 30, 2015:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 7,962,500	\$ 7,716,200	\$ 7,836,807	\$ 120,607
Sales Tax Fund	2,653,100	2,633,800	2,650,056	16,256

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

3. CASH AND CASH EQUIVALENTS

At September 30, 2015, the municipality has cash and cash equivalents (book balances) totaling \$7,697,901 as follows:

Interest bearing demand deposits	\$ 56,680
Demand deposits	77,412
Time deposits	169,927
Money market investment accounts	7,393,532
Petty cash	350
Total	<u>\$ 7,697,901</u>

The cash and cash equivalents of the City of DeRidder, Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the City's name.

At September 30, 2015, the municipality has \$7,779,103 in deposits (collected bank balances). These deposits are secured from risk by \$1,233,943 of federal deposit insurance and \$6,545,160 of pledged securities held by an unaffiliated bank of the pledgor bank. These deposited pledged securities are deemed by law to be under the control and possession and in the name of the city and are therefore properly collateralized.

4. RECEIVABLES

The receivables of \$1,337,344 at September 30, 2015, are as follows:

Class of receivable	General Fund	Proprietary Funds	Special Revenue Fund	Internal Service Fund	Total
Taxes:					
Franchise	\$ 129,953	\$ -	\$ -	\$ -	\$ 129,953
Alcohol	5,761	-	-	-	5,761
Federal grants	24,442	-	-	-	24,442
State grants	149,913	-	-	-	149,913
Local grants	16,826	-	-	-	16,826
Accounts	4,180	450,063	-	-	454,243
Sales taxes	-	-	556,206	-	556,206
Total	<u>\$ 331,075</u>	<u>\$ 450,063</u>	<u>\$ 556,206</u>	<u>\$ -</u>	<u>\$ 1,337,344</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2015, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 922,862	\$ 10,000	\$ -	\$ 932,862
Work in progress	520,241	2,465,400	649,049	2,336,592
Total capital assets not being depreciated	<u>1,443,103</u>	<u>2,475,400</u>	<u>649,049</u>	<u>3,269,454</u>
Capital assets being depreciated				
Buildings	3,950,568	659,503	-	4,610,071
Improvements other than buildings	6,795,458	91,616	-	6,887,074
Furniture and fixtures	1,092	-	-	1,092
Machinery and equipment	1,610,961	65,841	30,007	1,646,795
Guns	18,477	2,108	-	20,585
Vehicles	2,235,351	212,860	120,183	2,328,028
Utility fund asset	598,493	-	-	598,493
Total capital assets being depreciated	<u>15,210,400</u>	<u>1,031,928</u>	<u>150,190</u>	<u>16,092,138</u>
Less accumulated depreciation for:				
Buildings	1,299,610	96,444	-	1,396,054
Improvements other than buildings	1,142,410	226,698	-	1,369,108
Furniture and fixtures	1,092	-	-	1,092
Machinery and equipment	1,286,784	73,668	27,265	1,333,187
Guns	6,329	2,000	-	8,329
Vehicles	1,704,238	166,015	118,536	1,751,717
Utility fund asset	145,880	14,962	-	160,842
Total accumulated depreciation	<u>5,586,343</u>	<u>579,787</u>	<u>145,801</u>	<u>6,020,329</u>
Total capital assets being depreciated, net	<u>\$ 9,624,057</u>	<u>\$ 452,141</u>	<u>\$ (4,389)</u>	<u>\$ 10,071,809</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 57,221	\$ -	\$ -	\$ 57,221
Construction in progress	101,917	90,782	190,496	2,203
Total capital assets not being depreciated	<u>159,138</u>	<u>90,782</u>	<u>190,496</u>	<u>59,424</u>
Capital assets being depreciated				
Utility plant and improvements	34,337,630	208,936	-	34,546,566
Furniture and equipment	84,794	-	-	84,794
Vehicles	230,511	90,359	38,033	282,837
Total capital assets being depreciated	<u>34,652,935</u>	<u>299,295</u>	<u>38,033</u>	<u>34,914,197</u>
Less accumulated depreciation for:				
Utility plant and improvements	20,499,976	800,974	-	21,300,950
Furniture and equipment	58,915	2,623	-	61,538
Vehicles	187,693	28,761	36,133	180,321
Total accumulated depreciation	<u>20,746,584</u>	<u>832,358</u>	<u>36,133</u>	<u>21,542,809</u>
Total business-type assets being depreciated, net	<u>\$ 13,906,351</u>	<u>\$ (533,063)</u>	<u>\$ (1,900)</u>	<u>\$ 13,371,388</u>

Depreciation expense of \$579,787 for the year ended September 30, 2015, was charged to the following governmental functions:

Public works	\$ 213,145
Public safety	171,096
General administration	48,993
Recreation	86,295
Transit	27,837
Unallocated	32,421
Total	<u>\$ 579,787</u>

6. CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of September 30, 2015. The City had the following construction projects. The Bilbo/Roberts Street Drainage provides for improved drainage in the subdivision. The Multi Recreational Complex provides for a new swimming pool and other recreation. The Community Cemetery Project provides upgrades to the cemetery. The Downtown Sidewalk Projects provides upgrades to downtown sidewalks. The Animal Control Shop Project provides for a larger building to handle animal control operations. The Street Overlay Project provides for overlaps to city streets in need of repairs. At year-end the commitments with contractors were as follows:

Projects	Spent to Date	Remaining Commitment
Downtown Sidewalks	\$ 38,430	\$ 7,100
Multi Recreational Complex	2,227,947	132,000
Animal Control Shop	21,860	40,000
Bilbo/Roberts Street Drainage	39,617	147,000
Community Cemetery	1,550	24,175
Street Overlays	7,188	1,180,000

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

7. INTERFUND TRANSFERS

	<u>Transfer in</u>	<u>Transfer out</u>
Capital project fund	\$ 600,000	\$ -
General fund	3,698,846	12,000
Proprietary funds	-	-
Special revenue fund	12,000	4,298,846
Total	<u>\$ 4,310,846</u>	<u>\$ 4,310,846</u>

Transfers out of the special revenue sales tax fund are made to other various funds as required by law. Other transfers are made between funds as needed for certain financing activities.

8. ACCOUNTS AND OTHER PAYABLES

The payables of \$488,242 at September 30, 2015, are as follows:

	<u>General Fund</u>	<u>Proprietary Funds</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Interest Service Fund</u>	<u>Total</u>
Salaries	\$ 59,260	\$ 16,737	\$ 14,867	\$ -	\$ -	\$ 90,864
Withholdings	124,250	30,955	27,830	-	-	183,035
Accounts	31,050	23,520	115,664	2,197	1,316	173,747
Accrued interest	4,096	-	-	-	-	4,096
Contracts	-	36,500	-	-	-	36,500
Total	<u>\$ 218,656</u>	<u>\$ 107,712</u>	<u>\$ 158,361</u>	<u>\$ 2,197</u>	<u>\$ 1,316</u>	<u>\$ 488,242</u>

9. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended September 30, 2015.

	<u>Proprietary Fund</u>				
	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>	<u>Net Pension Liability</u>	<u>Customer Deposits</u>	<u>Total</u>
Long-term obligations at beginning of year	\$ 233,515	\$ 748,477	\$ 111,293	\$ 156,923	\$ 1,250,208
Additions	39,085	157,490	48,060	31,880	276,515
Principal and other payments	-	(28,204)	-	(31,041)	(59,245)
Compensated absences used	(99,669)	-	-	-	(99,669)
Long-term obligations at end of year	<u>\$ 172,931</u>	<u>\$ 877,763</u>	<u>\$ 159,353</u>	<u>\$ 157,762</u>	<u>\$ 1,367,809</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

	Governmental Funds				
	Compensated Absences	Other Postemployment Benefits	Net Pension Liability	Bonded Debt	Total
Long-term obligations at beginning of year	\$ 580,165	\$ 4,064,926	\$ 3,860,972	\$ -	\$ 8,506,063
Additions	274,603	1,062,437	2,841,491	500,000	4,678,531
Principal and other payments	-	(147,125)	-	-	(147,125)
Compensated absences used	(271,867)	-	-	-	(271,867)
Long-term obligations at end of year	\$ 582,901	\$ 4,980,238	\$ 6,702,463	\$ 500,000	\$ 12,765,602

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of September 30, 2015:

	Proprietary Fund				
	Compensated Absences	Other Postemployment Benefits	Net Pension Liability	Customer Deposits	Total
Current portion	\$ -	\$ 180,495	\$ -	\$ -	\$ 180,495
Long-term portion	172,931	697,268	159,353	157,762	1,187,314
Total	\$ 172,931	\$ 877,763	\$ 159,353	\$ 157,762	\$ 1,367,809

	Governmental Funds				
	Other Postemployment Benefits	Net Pension Liability	Compensated Absences	Bonded Debt	Total
Current portion	\$ 1,062,436	\$ -	\$ -	\$ 50,000	\$ 1,112,436
Long-term portion	3,917,802	6,702,463	582,901	450,000	11,653,166
Total	\$ 4,980,238	\$ 6,702,463	\$ 582,901	\$ 500,000	\$ 12,765,602

Bonded debt is comprised of the following issue at September 30, 2015:

Bonded Debt – Governmental Funds:

\$500,000 Series 2014 Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds
Due in annual installments of \$50,000 through December 1, 2024;
Interest at the rate of 3.25%

\$500,000

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The annual requirements to amortize all bonds and certificates of indebtedness outstanding at September 30, 2015, for the City of DeRidder is as follows:

<u>Year Ending September 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2016	\$ 50,000	\$ 15,437	\$ 65,437
2017	50,000	13,812	63,812
2018	50,000	12,187	62,187
2019	50,000	10,562	60,562
2020	50,000	8,937	58,937
2021-2025	250,000	20,315	270,315
Total	<u>\$ 500,000</u>	<u>\$ 81,250</u>	<u>\$ 581,250</u>

10. RESTRICTED FUND BALANCES

The governmental funds had fund balances as follows:

	<u>General Fund</u>	<u>Major Special Revenue Fund</u>	<u>Major Capital Project Street Construction J Fund</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
Sales taxes	\$ -	\$ 1,063,480	\$ -	\$ 1,063,480
Bond retirement	56,680	-	-	56,680
Committed to:				
Street construction	-	-	1,869,647	1,869,647
Assigned to:				
Perpetual care	627,323	-	-	627,323
Capital improvements	654,104	-	-	654,104
Unassigned:	638,271	-	-	638,271
Total fund balances	<u>\$ 1,976,378</u>	<u>\$ 1,063,480</u>	<u>\$ 1,869,647</u>	<u>\$ 4,909,505</u>

11. RETIREMENT SYSTEMS

Substantially all employees of the City of DeRidder are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana and the Firefighters Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System under Plan B for the years ending September 30, 2015, 2014 and 2013, were \$152,092, \$145,262, and \$126,872, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$1,593,526 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015 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 municipalities, actuarially determined. At June 30, 2015 the City's proportion was 2.344638%, which was a decrease of .025842% from its proportion measured as of June 30, 2014.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

For the year ended September 30, 2015, the City recognized pension expense of \$238,977. At September 30, 2015, the City recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 45,458
Changes of assumptions	145,269	-
Net difference between projected and actual earnings on pension plan investments	239,687	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,306	10,134
Total	<u>\$ 397,262</u>	<u>\$ 55,592</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (87,175)
2017	(87,175)
2018	(87,694)
2019	<u>(79,626)</u>
Total	<u>\$ (341,670)</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%, net of investment expense
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected Remaining Service Lives	4 years

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

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 verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over 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. The 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 these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 8.3% for the year ended June 30, 2015.

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, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.95%
Public fixed income	15%	0.89%
Alternatives	35%	2.06%
Totals	100%	5.90%
Inflation		2.40%
Expected Arithmetic Nominal Return		8.30%

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.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5%, or one percentage point higher 8.5% than the current rate as of June 30, 2015:

	Changes in Discount Rate:		
	Current		
	1%	Discount	1%
	Decrease	Rate	Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 2,149,795	\$ 1,593,526	\$ 1,119,718

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 10% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 29.5% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2015, 2014 and 2013, were \$337,348, \$359,113, and \$344,489 respectively, equal to the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$3,257,304 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015 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 municipalities, actuarially determined. At June 30, 2015 the City's proportion was .415793%, which was a decrease of .018396% from its proportion measured as of June 30, 2014.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

For the year ended September 30, 2015, the City recognized pension expense of \$283,143. At September 30, 2015, the City recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 59,852
Changes of assumptions	284,223	469
Net difference between projected and actual earnings on pension plan investments	-	61,859
Changes in proportion and differences between City contributions and proportionate share of contributions	105,127	107,389
Total	<u>\$ 389,350</u>	<u>\$ 229,569</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (33,984)
2017	(33,984)
2018	3,096
2019	(94,909)
Total	<u>\$ (159,781)</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.5%, net of investment expense	
Expected Remaining Service Lives	4 years	
Inflation Rate	2.875%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23	4.25%

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

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 then assigned credibility weighting and combined with a standard table to produce current levels of mortality. The 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 setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method on which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.0% and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.28% for the year ended June 30, 2015.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.47%
Fixed income	20%	0.46%
Alternatives	23%	1.15%
Other	5%	0.20%
Totals	100%	5.28%
Inflation		3.00%
Expected Arithmetic Nominal Return		8.28%

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.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5%, or one percentage point higher 8.5% than the current rate as of June 30, 2015:

	Changes in Discount Rate:		
		Current	
	1%	Discount	1%
	Decrease	Rate	Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 4,528,924	\$ 3,257,304	\$ 2,191,707

C. Firefighters' Retirement System of Louisiana

Plan Description. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 % of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095, Baton Rouge, LA, 70804; or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 10% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 27.25% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2015, 2014, and 2013, were \$227,833, \$221,299, and \$184,151, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$2,010,986 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015 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 municipalities, actuarially determined. At June 30, 2015 the City's proportion was .372604%, which was a decrease of .014837% from its proportion measured as of June 30, 2014.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

For the year ended September 30, 2015, the City recognized pension expense of \$337,120. At September 30, 2015, the City recognized deferred outflows of resources and deferred inflows of resources related to pension from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 91,908
Changes of assumptions	25,204	849
Net difference between projected and actual earnings on pension plan investments	215,693	-
Changes in proportion and differences between City contributions and proportionate share of contributions	119,842	63,034
Total	<u>\$ 360,739</u>	<u>\$ 155,791</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (45,774)
2017	(45,774)
2018	(45,774)
2019	(82,565)
2020	(1,048)
2021	15,987
Total	<u>\$ (204,948)</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	2015 – 7 years 2014 – 7 years
Investment Rate of Return	7.5% per annum
Inflation Rate	2.875% per annum
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

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

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. The 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 these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.00%. The resulting expected long-term rates of return is 8.24% for the year ended June 30, 2015.

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, 2015 are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed income	24%	1.84%
Equity	51%	6.50%
Alternatives	15%	6.96%
Other	10%	4.36%
Totals	100%	19.66%
Inflation		3.00%
Expected Arithmetic Nominal Return		22.66%

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 participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5%, or one percentage point higher 8.5% than the current rate as of June 30, 2015:

	Changes in Discount Rate:		
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 2,852,782	\$ 2,010,986	\$ 1,303,368

12. Postemployment Health Care and Life Insurance Benefits

The City provides certain continuing health care and life insurance benefits for the City’s retired employees. Substantially all of the City’s employees become eligible for these benefits if they reach normal retirement age while working for the City. Those benefits for retirees are provided through Humana, United Healthcare, Delta and Dearborn National whose monthly premiums are paid by the City. The City pays the premiums on a “pay-as-you-go” basis. For the year ended September 30, 2015, there were forty-four retirees and the costs of their benefits totaled \$175,329.

The City’s Annual Required Contributions (“ARC”) is an amount actuarially-determined in accordance with GASB 45, which is being implemented prospectively for the year ended September 30, 2015. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize the beginning Unfunded Actuarial Liability (“UAL”) over a period of 30 years. A 30 year, closed amortization period has been used with a level-dollar amortization factor. The total ARC for the fiscal year 2015 is \$1,365,513 which consists of normal cost of \$611,592 and amortization of UAL of \$753,921.

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation. The ARC will be dependent on the discount rate selected and the end of year Net OPEB obligation will need to reflect actual contributions.

Discount Rate	Fiscal Year Ending	
	<u>September 30, 2014</u>	<u>September 30, 2015</u>
Determination of Annual Required Contribution		
Normal Cost at fiscal year end	\$ 535,874	\$ 611,592
Amortization of UAAL	531,246	753,921
Annual Required Contribution (ARC)	<u>\$ 1,067,120</u>	<u>\$ 1,365,513</u>
Determination of Net OPEB Obligation		
Annual Required Contribution	\$ 1,067,120	\$ 1,365,513
Interest on prior year Net OPEB Obligation	158,427	191,616
Adjustment to ARC	<u>(247,809)</u>	<u>(314,188)</u>
Annual OPEB Cost	\$ 977,738	\$ 1,242,941
Actual Contributions made	<u>(148,024)</u>	<u>(175,329)</u>
Estimated Increase in Net OPEB Obligation	\$ 829,714	\$ 1,067,612
Net OPEB Obligation - beginning of year	<u>\$ 3,960,685</u>	<u>\$ 4,790,399</u>
Estimated Net OPEB Obligation - end of year	<u>\$ 4,790,399</u>	<u>\$ 5,858,011</u>

The following table shows the estimated annual OPEB cost and net OPEB obligation for the prior 3 years assuming the plan is not prefunded (4% discount rate):

Fiscal Year End	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	4.00%	\$ 997,288	13.1%	\$ 3,960,685
9/30/2014	4.00%	997,288	15.1%	4,790,399
9/30/2015	4.00%	1,242,941	14.1%	5,858,011

Utilizing the pay-as-you-go method, the City contributed 14.1% of the annual OPEB cost during 2015.

Notes to the Financial Statements (Concluded)

Actuarial Methods and Assumptions. 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. In the September 30, 2015 actuarial valuation, the "Closed Group" method was used, employees and retirees as of the valuation date were used and employees to be hired in the future were not considered. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 4.5% after sixty-nine years. The RP-2000 mortality table projected to 2016 using Scale AA was used in the actuarial calculation. An inservice-related turnover scale was used for MERS and FFRS participants and an age-related turnover scale was used for MPERS participants. The remaining amortization period at September 30, 2015 was 23 years.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Ad valorem	\$ 717,000	\$ 744,200	\$ 744,118	\$ (82)
Insurance premium tax	45,000	51,300	51,274	(26)
Chain store tax	15,000	16,700	17,220	520
Franchise tax	589,500	581,000	596,048	15,048
Alcohol tax	22,400	21,600	21,915	315
Intergovernmental:				
Federal grants	435,000	409,700	463,348	53,648
State grants	1,654,000	1,296,300	1,295,954	(346)
Local grants	83,000	80,000	79,042	(958)
Occupational licenses and permits	626,000	671,600	668,500	(3,100)
Fees and charges for services	52,800	54,800	55,550	750
Investment income	2,000	2,200	2,048	(152)
Rental income	47,600	46,800	46,800	-
Donations	10,000	17,900	17,829	(71)
Total revenues	<u>\$ 4,299,300</u>	<u>\$ 3,994,100</u>	<u>\$ 4,059,646</u>	<u>\$ 65,546</u>

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Expenditures				
Current operating:				
General government	\$ 859,400	\$ 884,900	\$ 888,425	\$ (3,525)
Public safety	3,969,700	3,844,500	3,861,881	(17,381)
Culture & recreation	127,600	138,700	137,409	1,291
Transit	287,400	259,100	258,960	140
Debt service:				
Principal	41,800	-	-	-
Interest and charges	19,500	7,800	7,809	(9)
Capital outlay	2,657,100	2,581,200	2,682,323	(101,123)
Total expenditures	<u>\$ 7,962,500</u>	<u>\$ 7,716,200</u>	<u>\$ 7,836,807</u>	<u>\$ (120,607)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,663,200)</u>	<u>\$ (3,722,100)</u>	<u>\$ (3,777,161)</u>	<u>\$ (55,061)</u>
Other financing sources (uses):				
Transfers in	\$ 3,589,300	\$ 3,698,800	\$ 3,698,846	\$ 46
Transfers out	(12,000)	(12,000)	(12,000)	-
Bond proceeds	500,000	500,000	500,000	-
Gain on sale of assets	24,600	41,700	41,311	(389)
Total other financing sources (uses)	<u>\$ 4,101,900</u>	<u>\$ 4,228,500</u>	<u>\$ 4,228,157</u>	<u>\$ (343)</u>
Net change in fund balance	\$ 438,700	\$ 506,400	\$ 450,996	\$ (55,404)
Fund balances at beginning of year	1,960,000	1,525,382	1,525,382	-
Fund balances at end of year	<u>\$ 2,398,700</u>	<u>\$ 2,031,782</u>	<u>\$ 1,976,378</u>	<u>\$ (55,404)</u>

Sales Tax Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amount	Budget to Actual differences over (under)
	Original	Final		
Revenues				
Taxes:				
Sales	\$ 6,400,000	\$ 6,686,000	\$ 6,650,230	\$ (35,770)
Fees and charges for services	14,600	14,600	14,580	(20)
Investment income	1,000	700	730	30
Miscellaneous	-	-	35	35
Total revenues	<u>\$ 6,415,600</u>	<u>\$ 6,701,300</u>	<u>\$ 6,665,575</u>	<u>\$ (35,725)</u>
Expenditures				
General government	\$ 505,000	\$ 510,100	\$ 512,030	\$ (1,930)
Public works	2,085,100	2,055,300	2,069,597	(14,297)
Capital outlay	63,000	68,400	68,429	(29)
Total expenditures	<u>\$ 2,653,100</u>	<u>\$ 2,633,800</u>	<u>\$ 2,650,056</u>	<u>\$ (16,256)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,762,500</u>	<u>\$ 4,067,500</u>	<u>\$ 4,015,519</u>	<u>\$ (51,981)</u>
Other financing sources (uses):				
Transfers in	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Transfers out	(4,189,300)	(4,298,900)	(4,298,846)	54
Gain on sale of assets	2,000	2,300	2,318	18
Total other financing sources (uses)	<u>\$ (4,175,300)</u>	<u>\$ (4,284,600)</u>	<u>\$ (4,284,528)</u>	<u>\$ 72</u>
Net change in fund balance	\$ (412,800)	\$ (217,100)	\$ (269,009)	\$ (51,909)
Fund balances at beginning of year	1,050,000	1,332,489	1,332,489	-
Fund balances at end of year	<u>\$ 637,200</u>	<u>\$ 1,115,389</u>	<u>\$ 1,063,480</u>	<u>\$ (51,909)</u>

Other Postemployment Benefits (OPEB)
 Funding Schedule
 For the Year Ended September 30, 2015

Schedule of Funding Progress (4.0% discount rate)

Actuarial Valuation Date	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liabilities (AAL) (1)	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio
October 1, 2012	-	4.00%	\$ 8,490,793	\$ 8,490,793	0.0%
October 1, 2013	-	4.00%	8,490,793	8,490,793	0.0%
October 1, 2014	-	4.00%	11,494,981	11,494,981	0.0%

(1) Actuarial Accrued Liability for 2015 determined under the projected unit credit cost method.

(2) Actuarial Accrued Liability less Actuarial Value of Assets.

Schedule of the City's Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2015

Municipal Employees' Retirement System	September 30, 2015
City's proportion of the net pension liability (asset)	2.344638%
City's proportionate share of the net pension liability (asset)	\$ 1,593,625
City's covered-employee payroll	\$ 1,600,965
City's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	99.53%
Plan fiduciary net position as a percentage of the total pension liability	68.71%
Municipal Police Employees' Retirement System	
City's proportion of the net pension liability (asset)	.415793%
City's proportionate share of the net pension liability (asset)	\$ 3,257,304
City's covered-employee payroll	\$ 1,086,385
City's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	3.00%
Plan fiduciary net position as a percentage of the total pension liability	70.73%
Firefighters' Retirement System	
City's proportion of the net pension liability (asset)	.372604%
City's proportionate share of the net pension liability (asset)	\$ 2,010,986
City's covered-employee payroll	\$ 793,208
City's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	2.53%
Plan fiduciary net position as a percentage of the total pension liability	72.45%

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

Schedule of the City's Contributions
For the Year Ended September 30, 2015

Municipal Employees' Retirement System	September 30, 2015
Contractually required contribution	\$ 152,092
Contributions in relation to the contractually required contribution	<u>152,092</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,600,965
Contributions as a percentage of covered-employee payroll	9.50%
Municipal Police Employees' Retirement System	
Contractually required contribution	\$ 337,348
Contributions in relation to the contractually required contribution	<u>337,348</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,086,385
Contributions as a percentage of covered-employee payroll	31.05%
Firefighters' Retirement System	
Contractually required contribution	\$ 227,833
Contributions in relation to the contractually required contribution	<u>227,833</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 793,208
Contributions as a percentage of covered-employee payroll	28.72%

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

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation of Board Members
For the Fiscal Year Ended September 30, 2015

Vincent Labue	\$	7,200
Hayward Steele		7,200
Faith Scott		7,200
Gordon Jenkins		7,200
Elizabeth Granger (President)		7,200
Keith Hooper		7,200
Kimaron Moore		7,200
		<hr/>
	\$	50,400

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Fiscal Year Ended September 30, 2015

Mayor Ronald Roberts

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 62,208
Benefits - dental insurance	738
Benefits - retirement	5,910
Benefits - deferred compensation	2,600
Car allowance	6,856
Vehicle provided by government	N/A
Per diem	N/A
Reimbursements	N/A
Travel	433
Registration fees	15
Conference travel	481
Continuing professional education fees	N/A
Housing	N/A
Unvouchered expenses	N/A
Special meals	N/A

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ended September 30, 2015

There were no prior year audit findings as of September 30, 2014.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ended September 30, 2015

There were no current year audit findings as of September 30, 2015.

John A. Windham, CPA

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John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S 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 Ronald Roberts, Mayor
and the Members of the City Council
DeRidder, Louisiana

I 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 DeRidder, Louisiana as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of DeRidder, Louisiana's basic financial statements, and have issued my report thereon dated March 7, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of DeRidder, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DeRidder, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of DeRidder, Louisiana's internal control.

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DeRidder, Louisiana's financial statements are free from material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Ronald Roberts, Mayor
and Members of the City Council

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing. It is not to provide an opinion on the effectiveness of the entity'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.

Handwritten signature of John D. Windham, CPA in black ink.

DeRidder, Louisiana
March 7, 2016