

CITY OF LAKE CHARLES, LOUISIANA

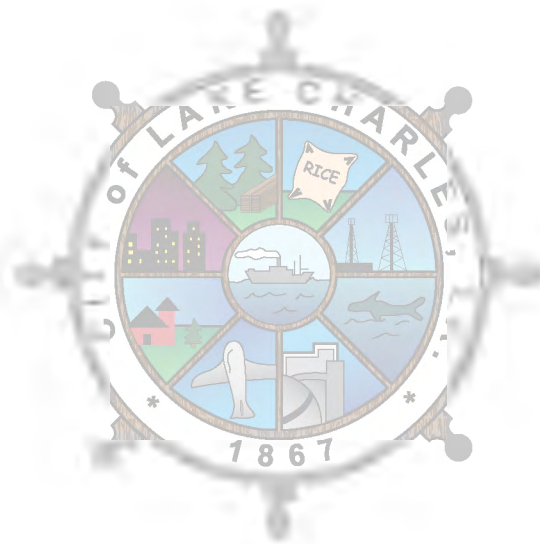
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the  
Fiscal Year Ended  
September 30, 2017



Prepared by  
Department of Finance

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**CITY OF LAKE CHARLES**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2017**

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## CITY OF LAKE CHARLES

NICHOLAS E. HUNTER  
MAYOR

326 Pujo Street • P.O. Box 3706  
Lake Charles, LA 70602-3706  
(337) 491-1251 • FAX (337) 491-1225

DEPARTMENT OF FINANCE  
KAREN D. HARRELL, DIRECTOR

March 29, 2018

Honorable Nicholas Hunter, Mayor  
Members of the City Council

Dear Mayor and City Council Members:

In accordance with requirements of the City's Charter and applicable state law, I am pleased to submit the Comprehensive Annual Financial Report of the City of Lake Charles for the fiscal year ended September 30, 2017. This report has been prepared by the City's Finance Department in conformity with generally accepted accounting principles (GAAP), and the basic financial statements contained herein have been independently audited in accordance with generally accepted auditing standards. However, the completeness and reliability of all information presented in this report remains the responsibility of the City's management. McElroy, Quirk, and Burch (APC), a firm of licensed certified public accountants, have audited the City of Lake Charles's financial statements. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on these financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

Governmental Accounting Standards Board (GASB) requires certain government-wide statements as well as the fund financial statements. The purposes and contents of these financial statements are further explained in Management's Discussion and Analysis (MD&A) which follows the independent auditor's report and should be read in conjunction with this letter of transmittal for a more complete understanding of the City's financial condition and activity.

### City Profile

The City of Lake Charles was incorporated in 1867 and just last year celebrated its sesquicentennial anniversary. The Southwest Louisiana community rallied with the City hosting numerous events throughout the year celebrating this significant milestone. Lake Charles is the principal city and trade center of Southwest Louisiana, which is comprised of a five parish area with a population of 301,752. According to the U. S. Census bureau, Lake Charles' population was 71,993 in 2010. Although the formal census is taken every ten years, the bureau provided an estimated population of 76,861 in 2016. The corporate limits of the City include 45.8 square miles. Lake Charles, which is in Calcasieu Parish, is located on Interstate 10, approximately two hours east of Houston, Texas and west of Baton Rouge, Louisiana.

The City operates under a mayor-council form of government pursuant to a 1961 home rule charter, and provides a full range of traditional municipal services such as public safety, construction and maintenance of municipal infrastructure including water and wastewater, parks and recreation, planning and zoning, trash collection and solid waste disposal and public transportation. The City also has specialized facilities such as a municipal golf course, a civic center coliseum and theater complex, and two art centers. All of these activities are integral parts of the city government and are included in this report. Certain components of the judicial function are legally separate entities which are discretely presented in these statements as "component units."

*United for Progress and Prosperity*

## TRANSMITTAL LETTER

The City adopts an annual operating budget and a project-based capital budget in accordance with procedures established by its charter and by state statute. Although the budget document is comprehensive, covering all funds under the City's control, legal control of expenditures is exercised primarily at the department level for the General Fund and for each Special Revenue Fund pursuant to charter and statutory requirements. Budget-to-actual comparisons for major funds of these types are included in this report.

The City also maintains an internal control framework designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing financial statements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. An evaluation of internal controls and legal compliance is required by federal law in connection with the independent audit, and the auditor's reports thereon are included in a separately issued "uniform guidance" report.

### Economic Environment

The Lake Charles area has an economic base that has been dominated by petrochemical manufacturing and refining since the 1940's. Over the last couple of decades Southwest Louisiana has diversified its economy with aerospace and gaming industries. The Port of Lake Charles, a deep water port with a 30-mile ship channel to the Gulf of Mexico, was ranked by Forbes (12/15/17) as the 7<sup>th</sup> of U.S. Seaports (there are 450 in the U.S.) in having the greatest increase in value of their exports in 2017. It is estimated the total number of jobs generated in Louisiana by the Calcasieu Ship Channel is nearly 37,000. Chennault Industrial Airpark and the Lake Charles Regional Airport support a growing aviation industry. Lake Charles is home to McNeese State University and Sowela Technical Community College. Riverboat Gaming was introduced in 1993 and has provided funding for major capital improvements since that time. Retail businesses within the City provide goods and services to a five-parish regional area. The Prien Lake Mall, a Simon Properties development, is increasing the square footage of the mall by 65,000 square feet with the addition of T.J. Max, Home Goods and D-Bat stores. Annual art events and over 75 annual festivals provide entertainment to both locals and visitors.

The *Business Climate* report "Southwest Louisiana Economic Development, 2018 Edition" states that SWLA is the nation's fastest growing region for economic growth. Listed as reasons to live, work and invest in the area are a booming economy, rich resources, strategic location, robust infrastructure, entertainment and culture, network of hospitals, talented workforce, and world-class recreation.

### **Industrial Projects**

The SWLA Economic Development Alliance recently summarized the areas economic growth with over \$109 billion in announced projects in the five parish region. To date, over \$43 billion of those announced projects are underway, creating more than 28,000 permanent, direct and indirect jobs.

The status of industrial projects underway is described below as obtained from the December 2017 SWLA Project Report of the SWLA Alliance.

- Cheniere Energy in Cameron Parish began world-wide exporting of Liquid Natural Gas (LNG) in the summer of 2016. This \$20 billion project to develop up to six natural gas liquefaction Trains to transport affordable natural gas around the world from Louisiana is well underway at its Sabine Pass Liquefaction (SPL) Project. Trains 1 through 4 are operational. Train 5 is under construction and Train 6 is being commercialized and has all necessary regulatory approvals in place. The project is expected to generate 4,500 construction jobs and 580 permanent jobs. Chenier Energy 2017 Annual Report stated that to date, approximately 300 cumulative LNG cargoes have been exported from the SPL Project, with deliveries to 25 countries and regions worldwide.
- SASOL Ltd. Construction of an \$11 billion world-scale petrochemical Ethane Cracker Complex in Westlake is 80 percent complete as of November 2017. The project, originally estimated at \$8.9 billion, will triple Sasol's chemical production capacity in the U.S. Sasol has been committed to "Louisiana First", and is hiring

## TRANSMITTAL LETTER

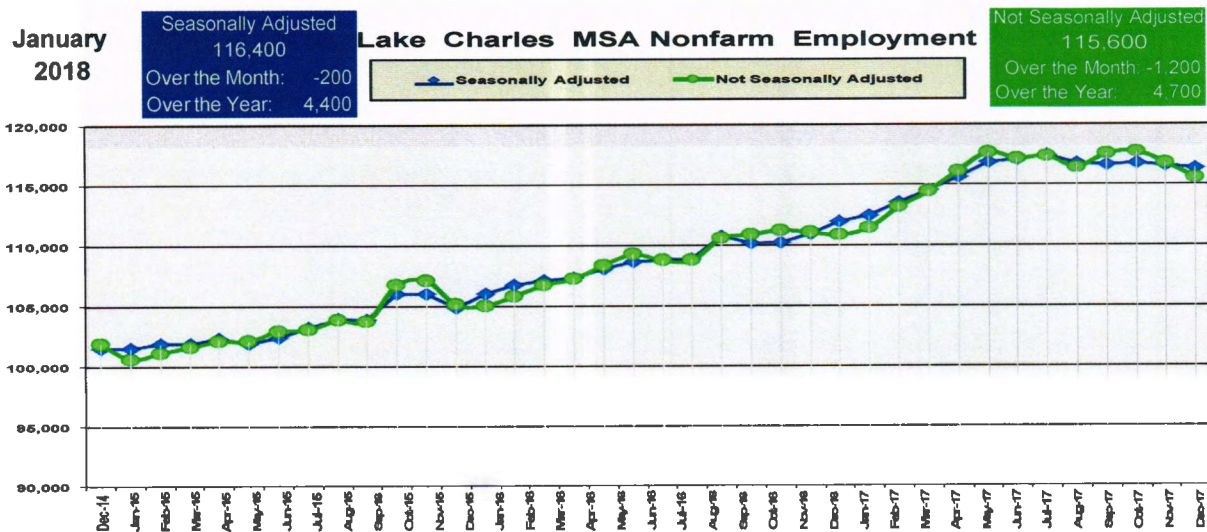
Louisiana workers and using local contractors, many from within Calcasieu Parish. Workforce is expected to peak with 5,000-plus construction workers onsite.

- Sasol announced at the end of 2017 that it has abandoned its future \$13 billion gas-to-liquid project that was put on hold in 2015. The company cited a volatile economy and low oil prices as the reason for its decision.
- Cameron LNG began construction in 2014 on a \$10 billion, 500 acre gas liquefaction facility at the company's Cameron LNG terminal in Hackberry, formulating a dual-purpose import/export terminal. The three-Train project will be able to liquefy domestically produced natural gas for export. The construction is well underway, Train No. 1 should be operational in 2019, currently employing approximately 5,500 workers each day.
- Axiall Corporation and Lotte' Chemical Corporation construction project, which is visible at the junction of Interstate 10 and 210, is two combined chemical manufacturing projects in Lake Charles that total \$3 billion. Construction jobs are estimated to peak at over 3,000. New permanent jobs will be 215 with average annual salaries between \$75,000 and \$87,000, plus benefits. Lotte' Chemical USA announced in April, 2017 that they were moving their headquarters to Lake Charles.

### Impact of Growth

Two of the biggest indicators of the impact of the industrial growth are the local employment statistic and the taxable sales reports. Growth has steadily increased for both in the last several years.

As reported by Louisiana Workforce March 12, 2018, total nonfarm Lake Charles MSA employment was estimated at 115,600 for January 2018. This shows a gain of 4,700 jobs over the year. It is the 79<sup>th</sup> consecutive month with an over-the-year increase. The construction sector added 3,200 jobs over the year. Both the trade, transportation and utilities sector and the professional and business services sector added 600 jobs from last January. The unemployment for January 2018 was 3.5 percent. Although these numbers are impressive, employers are struggling to retain their workforce in such a competitive job market.



## TRANSMITTAL LETTER

Taxable sales are an indicator of the increase the market as it relates to the industrial growth. Much of the increase in taxes is related to the manufacturing industries, which are located outside of the incorporated areas of the parish; therefore the sales tax for the City of Lake Charles has not increased at the same rate as the parish. Calendar year sale tax collections for the City increased by 3.5 percent in 2013; 6.9 percent in 2015 and by 4.2 percent in 2017. While the increase parish-wide calendar year taxable sales increased by 11 percent in 2013; 13.8 percent in 2015 and by 29.4 percent in 2017.

Affordable housing is a concern amongst citizens. Many new hotels and apartment complexes have been built. As per the City's Planning Department, there were 358 single family units and 79 multi-family buildings with 629 units permitted in 2016, with a value of \$116.1 million. In 2017 when there were 393 single family units and 51 multi-family building with 655 units permitted with a value of \$144.6 million. All are in various stages of construction or have been completed.

Traffic congestion in both Calcasieu and Cameron parishes and especially along the I-10 corridor is the most evident problem created by the additional workforce in the area. Infrastructure improvements are needed for streets, water and wastewater. The City, Parish and State governments are working together on comprehensive plans to address these needs, as well as drainage improvements. The City continues to provide for increased services with staffing levels that have remained constant since 2009.

### **Tourism**

Tourism is Southwest Louisiana's second largest economic driver. Golden Nugget Casino opened their \$700 million complex on Port property adjacent to the L'Auberge Casino in December of 2014. The new casino grew the gaming market, with average monthly gross gaming proceeds of \$24 million per month in 2017. A new \$85 million hotel tower opened in the fall of 2017 and added 300 rooms, bringing the total property's room count to more than 1,000.

L'Auberge Casino which opened in 2005 had monthly gross gaming revenues of \$26.4 million per month in 2017. Both casinos operate full service, resort-style facilities, with pools, golf courses, restaurants and high-end entertainment on a continual basis. The Calcasieu Gaming District also receives funds from racetrack gaming and an additional riverboat located within the parish. Total taxable gaming proceeds were reduced by two percent in 2016 but increase slightly in 2017.

According to the Southwest Louisiana Convention and Visitors Bureau, SW Louisiana hosts over 75 annual festivals and diversified arts and cultural events. The area also hosts 100 different sporting events annually at its football, soccer and ball fields, basketball courts and golf courses.

### Current and Future Financial Plans

The City's primary operating account, the General Fund had an ending fund balance of \$35 million at September 30, 2017, which represents 49 percent of 2017 expenditures and operational transfers. This was an increase of \$5 million from fiscal year 2016, and included a transfer of \$2.8 million for capital projects.

The adopted General Fund Operating Budget for fiscal year 2018 projects an operating surplus \$538,806 but additionally provides for a transfer of accumulated fund balance reserves of \$4,100,000 to be transferred to the Capital Project funds to pay for ongoing improvements to the City's wastewater system basins and to pay for additional drainage projects. As budgeted, the fund balance at the end of fiscal year 2018 would total \$31.4 million.

The voters of Lake Charles approved a one-quarter percent (1/4%) sales tax proposition in October 2015. The current economic growth in the area necessitated increases in the City's pay scales in order to be able to recruit and retain a suitable workforce. The additional revenue stream was needed to ensure the long-term affordability of an increase in pay for all employee groups.

All full time City employees received across the board pay increases in January of each year since 2015 through 2018. The pay increases, and corresponding increase in base pay for all employee groups, was provided for in the 2015 sales tax referendum.

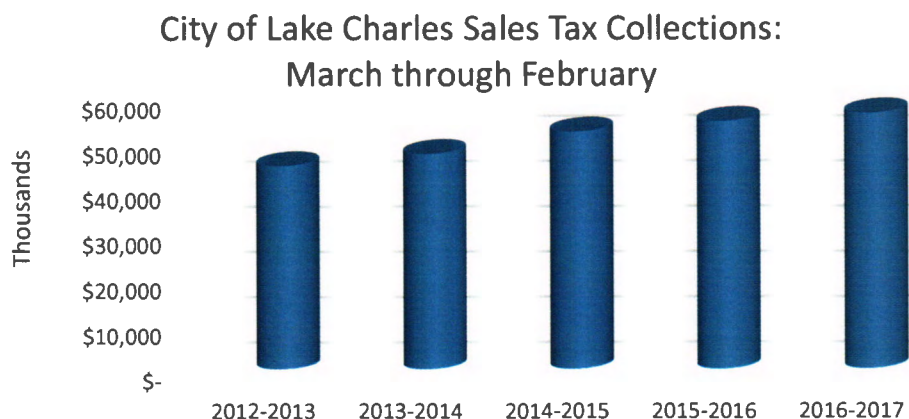
## TRANSMITTAL LETTER

Budgeted salaries and fringe benefits of \$45 million account for 64 percent of the General Fund departmental expenditure budget of \$70 million. Primarily a result of pay raises, this is an increase of \$2.1 million over last fiscal year's originally adopted budget. Overtime is budgeted at \$2.4 million for all General Fund departments, however in fiscal year 2017 the Fire Department was paid \$1.7 million in overtime and the Police Department's General Fund total was \$1.3 million. Current trends indicate the same level or increased level for 2018.

Retirement contribution rates are set annual by state retirement systems and this expenditure continues to be especially challenging to governmental agencies across the state. Recent notifications from these systems indicate that retirement contribution rates will increase once again in July 2018.

Sales taxes are the City's largest revenue source, accounting for 44 percent of all governmental revenue and 65 percent of the General Fund's revenues in 2017. Collections of the new tax levy was effective in January 2016 so therefore only nine months of collections were received, proceeds of which were deposited evenly in the General Fund and the One Quarter Cent Tax Debt Reserve Special Revenue Fund. Fiscal year 2017 was a full year of collections, with 75 percent of the tax deposited in the General Fund and 25 percent into the Debt Reserve Special Revenue Fund. On a proportional basis for previously collected taxes, the taxes increased by 3.8 percent in fiscal year 2017 compared to a 2.1 percent in fiscal year 2016.

The graph below captures the total sales tax revenue collected for March through February for each of the last five years. For comparison purposes, the new tax levy is not included in the table below. The trend for the four month period of the current fiscal year indicates that City revenues have increased by 4.3 percent over the same period last year.



### Capital Improvements:

The City has issued \$75 million in bonds for Phase 1 and 2 of the \$90 million capital improvement plan that was approved by Lake Charles voters. The City does not currently have any plans to issue the remaining \$15 million in authorized bonds. The City has applied for and received approval for a \$15 million DEQ Revolving Loan that would be used for additional improvements to the wastewater system and for a \$20 million DHH Revolving Loan that would be used for a new water treatment plant and distribution lines.

Sales tax revenues not needed to repay the bonded debt, combined with gaming revenues and use of accumulated reserves will be used to fund projects totaling \$32 million in the 2018 adopted Capital Budget. Below are highlights of current capital improvement projects, as of the date of this report:

## TRANSMITTAL LETTER

### Recently completed projects from City capital funds, unless otherwise stated:

- 5<sup>th</sup> Avenue Sewer Extension and Lift Station - \$1.9 million City capital and bond funds
- Wastewater Basin A12 Rehabilitation - \$1.8 million
- Various road, sidewalk and drainage projects - \$1.9 million (Kirkman Street Drainage, Barbe Street Drainage, 5<sup>th</sup> Avenue Drainage, Sally Mae Street, City Wide Sidewalks, Highway 14 Sidewalks, 5<sup>th</sup> Street Sidewalks, Texas Street Sidewalks, Hollyhill Sidewalks, 3<sup>rd</sup> Avenue Sidewalks)
- Various Utility (water and sewer) projects – \$1.4 million (Broadmoor, Creole, Stillwood and Von Blond Lift Stations, Weaver Road Water and Sewer Extension)
- Other Governmental Projects - \$1.4 million (Civic Center Part 3 Improvements, Civic Center Boilers, Mallard Cove Retaining Wall, Veterans Memorial Park)

### Projects currently in design phase or under construction:

- Wastewater system improvements: The City is close to completing construction of a \$42 million wastewater treatment facility at the current Plant B/C location. In addition to various City funding sources, DEQ State Revolving Loan and Priority 1 State Capital Outlay funds were used. Other Wastewater improvements include the construction of a new administration building and the installation of an emergency generator at Plant D; \$2.5 million City capital funds and FEMA funds.
- Various drainage projects – \$5.1 million City capital funds (Fairway & Muirfield Drainage, South Roosevelt Street Drainage, Division Street Drainage, Open Lateral Maintenance, Enterprise Boulevard, River Road, Legendre Street)
- 6<sup>th</sup> Avenue Paving and Drainage - \$2.4 million City capital funds
- 1<sup>st</sup> Ave Multi-Use Trail – \$1 million DOTD, FHWA, Recreational Trails and City capital funds
- Highway 385 multi-use trail (Clarence Street – Ryan to Lakeshore) - \$1.4 million DOTD and City capital funds
- W. Prien Lake Road Relocation (Alternate 5) - \$2.9 million Parish and City capital funds
- Lake Street (McNeese intersection south to Country Club) - \$5 million City capital funds and Parish Transportation funds
- Prien Lake Road Phase 1 (Cove Lane to Ihles Road) - \$21 million City and Parish funds will be used
- Sallier Street – City capital and Parish Transportation funds
- Power Center Parkway Sewer - \$2.8 million City capital funds
- WWTP Basin Rehabilitation - \$3.1 million City capital funds
- Lift Station Improvements - \$3.5 million City capital funds
- Various Utility (water and sewer projects) - \$4.5 million City capital funds (Trunkline Rehabilitation, Nelson Road Sewer, W. Prien Utility Extension, University Area Sewer, Hollyhill Sewer Rehabilitation, Country Club Water)

## TRANSMITTAL LETTER

- Various road and sidewalk projects - \$4.1 million City capital funds (Sally Mae Street, N Grace Street, Comeaux Street, 5<sup>th</sup> Ave Sidewalks, Kirkman & Opelousas Intersection, W. McNeese Sidewalks, Interstate Corridor Beautification, 2018 City Wide Sidewalks)
- City Wide Asphalt Overlays 2017 - \$1.6 million City capital funds
- Water Plant Improvements - \$7 million City water funds (GH West G12 Well, SW Ground Storage Tank, McNeese Plant Sedimentation, S
- W Plant Chlorine Containment, SW Plant Filter Media)
- The City has recently begun the study and design phase for a new Water Treatment Plant, with supporting distribution lines. This project is estimated to be near \$30 million and will be funded by accumulated reserves in the Water Utility Fund and a potential loan from the Department of Health Drinking Water Revolving Loan Fund.

### Long-term financial planning:

The fund balance in the General Fund is \$35 million which represents 49 percent of the 2017 budgeted expenditures and non-capital transfers. It is the City's policy to maintain a 30 percent minimum fund balance target for the General Fund.

Annually the City completes a five year capital improvement plan. This serves as the basis for budgeting and planning the future of the City's capital assets. The Planning Department studies infrastructure needs for Lake Charles and the surrounding areas beyond the required five year plan.

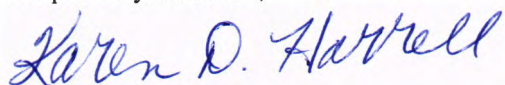
### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lake Charles for its comprehensive annual financial report for the fiscal year ended September 30, 2016. The City also received this award for its reports of the preceding thirty-two years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

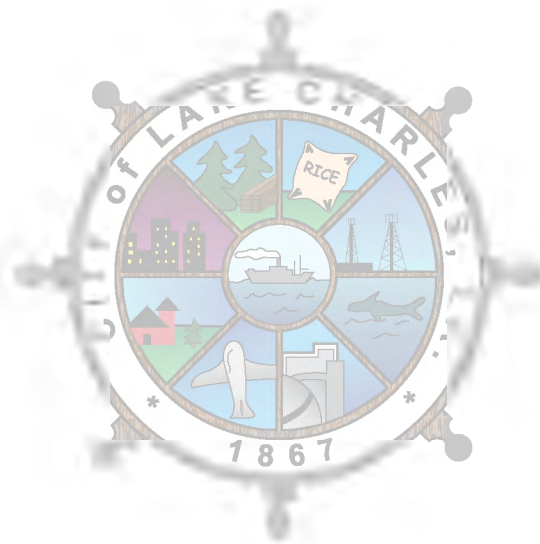
The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the Finance Department staff. We also would like to welcome Mayor Hunter and Councilman Johnnie Thibodeaux. We acknowledge them and the other City Council members and appreciate their interest and support in planning and conducting the financial affairs of the City in an efficient and effective manner.

Respectfully submitted,



Karen Domingue Harrell  
Director of Finance

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lake Charles  
Louisiana**

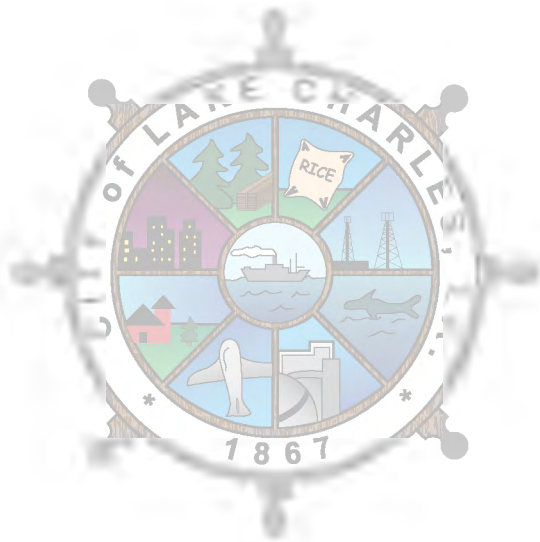
**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**September 30, 2016**

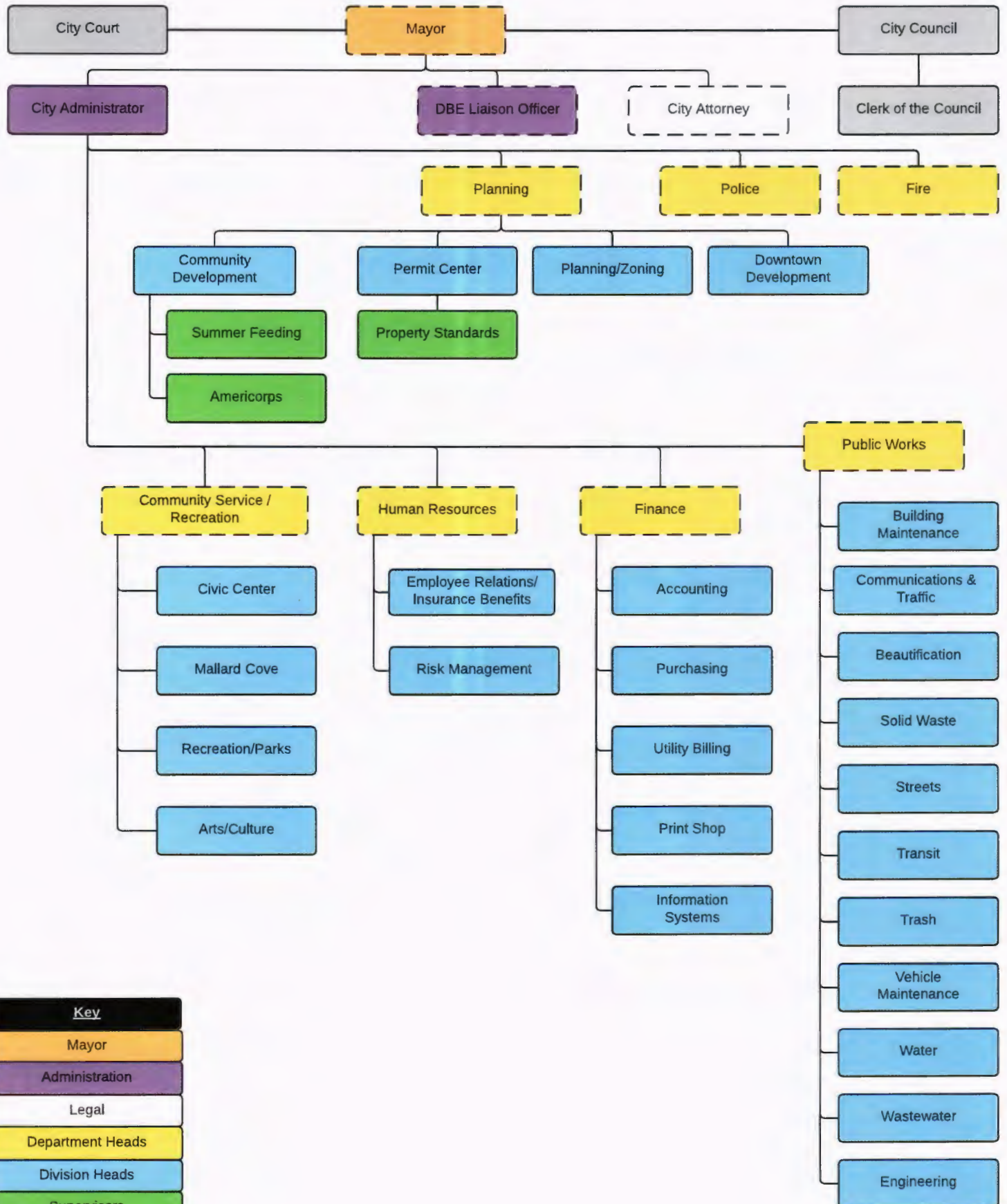
*Christopher P. Morill*

Executive Director/CEO

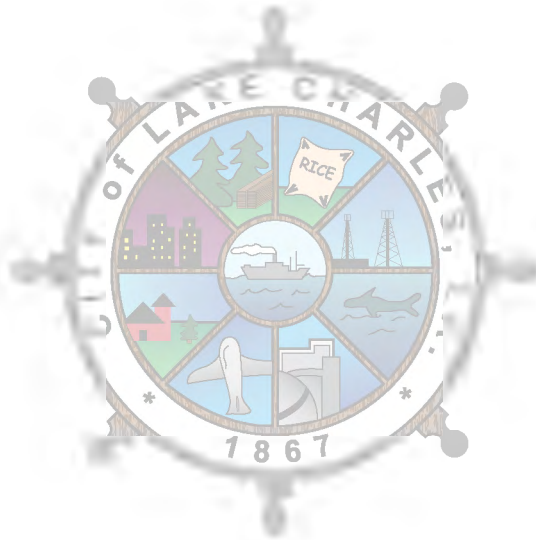
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# City of Lake Charles Organization Chart



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**CITY OF LAKE CHARLES**  
**ELECTED CITY OFFICIALS**

	<u>PRESENT TERM BEGINS</u>	<u>PRESENT TERM EXPIRES</u>	<u>BEGAN AS MEMBER</u>
<u><b>MAYOR</b></u>			
Nicholas Hunter	July 1, 2017	June 30, 2021	July 2017
<u><b>CITY COUNCIL</b></u>			
John Ieyoub, President	July 1, 2017	June 30, 2021	July 2009
Mark Eckard, Vice-President	July 1, 2017	June 30, 2021	July 2009
Luvertha August	July 1, 2017	June 30, 2021	January 2008
Rodney Geyen	July 1, 2017	June 30, 2021	July 1997
Mary Morris	July 1, 2017	June 30, 2021	July 2013
Johnnie Thibodeaux	July 1, 2017	June 30, 2021	July 2017
Stuart Weatherford	July 1, 2017	June 30, 2021	July 2005
<u><b>CITY JUDGES</b></u>			
Jamie B. Bice	January 1, 2015	December 31, 2020	January 2015
John S. Hood	January 1, 2015	December 31, 2020	January 1985
<u><b>WARD 3 MARSHAL</b></u>			
Joseph Alcede III	January 1, 2015	December 31, 2020	November 2004

## CITY OF LAKE CHARLES

### DEPARTMENT HEADS

<b>EMPLOYEE</b>	<b>DEPARTMENT</b>
John Cardone	Mayor's Office
David Morgan	Legal
Karen Harrell	Finance
Wendy Goodwin	Human Resources
Keith Murray	Fire
Don Dixon	Police
Jeff Jones	Public Works
Percy Brown	Community Services
Mike Huber	Planning

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor Nicholas Hunter  
and City Council  
City of Lake Charles  
Lake Charles, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City Court of Lake Charles or the Office of the Ward Three Marshal, which represent 0.6 percent, 0.8 percent and 1.4 percent, respectively, of the assets, net position and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City Court of Lake Charles and the Office of the Ward Three Marshal, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of September 30, 2017, 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, and other postemployment benefits – schedule of funding progress, schedule of employer's proportionate share of net pension liability, and schedule of employer's pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Lake Charles, Louisiana's basic financial statements. The introductory section, schedule of total compensation for Mayor, City of Lake Charles, combining nonmajor governmental fund statements, combining internal service fund statements, schedules of capital assets used in the operation of governmental funds, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements

The schedule of total compensation for Mayor, City of Lake Charles, combining and individual nonmajor governmental fund statements, schedules of revenues, expenditures and changes in fund balance-budget and actual, combining internal service fund statements, and schedules of capital assets used in the operation of governmental funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of total compensation for Mayor, City of Lake Charles, combining and individual nonmajor governmental fund statements, schedules of revenues, expenditures and changes in fund balance-budget and actual, combining internal service fund statements, and schedules of capital assets used in the operation of governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of the City of Lake Charles, Louisiana's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lake Charles, Louisiana's internal control over financial reporting and compliance.



Lake Charles, Louisiana  
March 29, 2018

## **CITY OF LAKE CHARLES, LOUISIANA MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis seeks to provide an overview of the financial activity and performance of the City of Lake Charles for the fiscal year ended September 30, 2017, and accompanies the basic financial statements beginning on page 31 of this report. The transmittal letter on pages 1 - 7 of this report provides further information from a broader perspective, and should be consulted in conjunction with this discussion and the financial statements themselves for a more complete understanding of the City's financial condition and economic environment.

### Financial Highlights

- The City's total net position at the end of fiscal year 2017 was \$484 million, compared to the September 30, 2016 balance of \$461 million. Per the Statement of Activities, total Governmental and Business-Type Activities revenues of \$147 million were used to cover total expenses of \$124 million, primarily public safety and public works related activities.
- Total revenue from both governmental and business-type activities was \$146.6 million, which was an increase of 3 percent from the previous year total of \$142 million. The sales tax revenue of \$64.6 million accounts for 44 percent of total revenues. Those revenues increased by \$4 million in 2017 from the prior year. Included is an additional one-quarter cent levy which was effective January 2016. The nine months of revenue reported in fiscal year 2016 totaled \$4.5 million; total collected for the fiscal year 2017 was \$6.4 million. Property taxes of \$10.6 million represent an increase of 4 percent from \$10.2 million in the previous year due to additional property being added to the tax rolls in 2016.
- In the fund financial statements, total governmental fund balances of \$132.5 million is a decrease of \$10.7 million in 2017 from \$143 million in 2016. The Capital Project Fund accounted for the largest decrease of reserves to pay for the construction of a \$42 million wastewater treatment plant, which is nearly completed. Funds had been accumulated in the two previous years for this project.
- The 2017 governmental fund revenues of \$124.7 million are an increase of 2 percent above the \$122 million collected in 2016. This change is primarily due to additional tax revenue as mentioned above and a reduction of intergovernmental revenue, which relates to funding from DEQ for the wastewater treatment plant.
- Governmental fund expenditures totaled \$140.6 million in 2017 and are an increase of 19.6 percent from the \$117.5 million spent in 2016. Expenses of \$50 million for capital projects in 2017 is an increase from \$33 million spent in 2016, primarily due to the expenses of the treatment plant.
- The General Fund operating revenues of \$76 million exceeded operating expenditures of \$64 million; operating and capital transfers of \$7 million, which included \$2.8 million in reserves to the Capital Project Funds for wastewater projects, resulted in a total fund balance increase of \$5 million from the previous fiscal year. The ending fund balance was \$35 million at September 30, 2017; \$30 million at the end of fiscal year 2016.

### The Financial Statements

This report encompasses a series of financial statements consisting of the following components:

1. The government-wide financial statements are designed to provide an organization-wide overview similar in nature to the form of reporting used for private-sector businesses. The two components of this presentation are:
  - The Statement of Net Position is roughly equivalent to a private business balance sheet, summarizing all of the City's assets and liabilities and reporting the difference between the two as "net position." Changes in net position over time may provide an indication of either an improving or declining financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Statement of Activities is an organization-wide operating statement which accounts for changes in fund net position during the City's 2017 fiscal year. This statement takes into account all revenues and expenses accrued for that year, regardless of when cash is received or paid.

The government-wide statements presented on pages 32 - 33 of this report are a result of the financial reporting model established by Governmental Accounting Standards Board Statement No. 34. These statements also distinguish governmental activities, which are those city functions principally supported by taxes and intergovernmental revenues from business-type activities which are intended to recover a significant portion of their costs through user fees and charges. The City's governmental activities include such functions as public safety (fire and police) and public works (principally streets, sanitation and sewerage), while its business-type activities consist of a civic center, golf course, transit system, and water utility.

The government-wide statements also include two component units, City Court and the Ward Three Marshal, which are legally separate entities with financial dependency on the City as "primary government." They do not include other legally separate local entities which are financially and operationally independent of the City. This discussion and analysis pertains only to the City as primary government.

2. Fund financial statements report financial data for individual funds into which the City's accounts are organized to maintain compliance with finance-related legal and contractual requirements. This report includes two categories of funds, governmental and proprietary. (The City has no fiduciary funds.)

The governmental fund financial statements generally cover the same functions as the governmental activities in the government-wide statements but differ in their focus on near-term spendable resources rather than longer-term measurement of net position. A comparison of the fund and government-wide statements with respect to governmental functions is useful in gaining a longer-term perspective than that provided solely by the near-term focus of governmental fund statements, and reconciliation is provided in the governmental fund statements to support such comparison.

The City maintains twelve individual governmental funds, five of which are classified as major. Budget to actual statements for three funds are separately displayed in the Required Supplemental Information section beginning on page 92 of this report. There are eight special revenue funds which are aggregated into a single display on those schedules but are individually presented in the combining statements referred to below.

The proprietary fund financial statements cover business-type activities in which external customers are charged for services, as well as internal service activities funded by charges to other city funds and operating units. The enterprise fund category in these statements corresponds to the business-type activities reported in the government-wide statements. The internal service category consists of two funds which account for risk financing and employee group medical benefits. All proprietary fund statements are reported on the accrual basis of accounting as used in the government-wide statements and in private-sector business.

3. Notes to the financial statements provide additional information and explanation necessary for full understanding of the government-wide and fund financial statements and are presented on pages 46 - 89 of this report.
4. Required Supplemental Information is included with information related to OPEB, Net Pension Liability and budget to actual schedules for the major governmental funds.
5. Other information, consisting of the combining statements for the eight non-major governmental funds and two internal service funds, is presented immediately following the Required Supplemental Information.
6. The statistical section contains primarily trend data and non-financial information about the City's various activities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## City-wide Financial Analysis

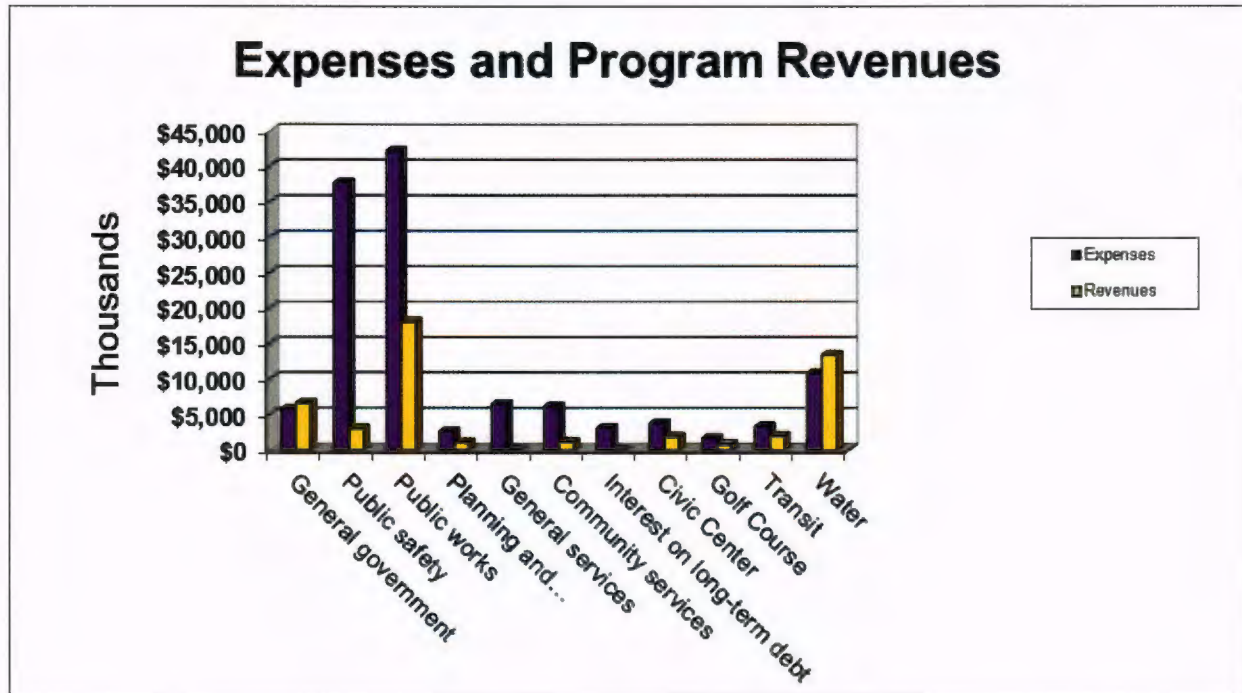
As shown on the government-wide financial statements, the City's net position at the end of 2017 was \$483,858,406, with 75 percent of this total consisting of capital assets, i.e., physical plant, equipment, and infrastructure, less related outstanding debt. An additional 7 percent of the net position is externally restricted by law or contract, leaving 18 percent as unrestricted net position which is generally available for use at the City's discretion. Year-end assets, liabilities, and net position are summarized below. It should be noted that the investment in capital assets is not available as a financial resource for payment of related debt, other liabilities, or future costs, which will require the use of either existing financial resources or future revenues. Also note that capital assets are reported net of accumulated depreciation and that the infrastructure portion of these reported assets includes only those projects completed since 1975.

<b>NET POSITION</b>						
<b>(in thousands)</b>						
	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 167,675	\$ 174,061	\$ 32,382	\$ 30,129	\$ 200,057	\$ 204,190
Capital assets	371,620	338,659	69,202	68,622	440,822	407,281
Total assets	539,295	512,720	101,584	98,751	640,879	611,471
Deferred outflows of resources	15,650	18,897	1,565	1,429	17,215	20,326
Long-term liabilities	141,797	140,776	5,494	4,915	147,291	145,691
Current and other liabilities	20,920	19,220	2,997	2,409	23,917	21,629
Total liabilities	162,717	159,996	8,491	7,324	171,208	167,320
Deferred inflows of resources	2,928	3,191	100	68	3,028	3,259
Net position:						
Net investment in capital assets	294,028	259,977	69,202	68,622	363,230	328,599
Restricted	33,409	31,273	-	-	33,409	31,273
Unrestricted	61,863	77,180	25,356	24,166	87,219	101,346
Total net position	\$ 389,300	\$ 368,430	\$ 94,558	\$ 92,788	\$ 483,858	\$ 461,218

Total net position of \$483,858,406 is an increase of \$22,640,231 or 4.9 percent from the 2016 net position of \$461,218,175. The change in net position for governmental activities was a 5.7 percent increase, while business-type activities experienced a 1.9 percent increase. Explanations of the changes are outlined in the pertinent sections below.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes expenses and related program revenues for the various governmental and business-type functions displayed in the financial statements. The significance of this comparison is that the portion of each function's expenses not offset by program revenues is left to be covered by general revenues, namely taxes and other restricted sources.



On an overall basis, the City's total costs in 2017 were \$104 million for governmental activities and \$19.7 million for business-type activities. The portions not covered by program revenues, or net costs funded by taxes and other general revenues, were \$74 million for governmental activities. The public safety function (fire and police) historically accounts for the largest share of net cost, with \$34.6 million in excess expenses over program revenues during 2017. Total expenses of \$124 million are a 9 percent increase over 2016 expenses of \$114 million.

The City's total revenue for 2017 was \$146.6 million, a 3 percent increase from 2016 revenues of \$142.3 million. Sales tax revenue for the Governmental Activities increased by \$4 million or 7 percent primarily due to an additional one-quarter cent sales tax levy that was collected for a full year in 2017, compared to only nine months of fiscal year 2016. Capital grants and contribution's decrease of \$3.5 million is related to funding for the wastewater treatment plant.

The Statement of Activities for 2017 categorizes the City's revenues as either program revenues, which are service charges or grants and contributions for specific governmental or business-type functions, or general revenues which include most taxes and other revenue sources of a government-wide nature.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Major components of program and general revenues, together with total expenses and the resulting change in net position, are summarized below for the 2017 fiscal year.

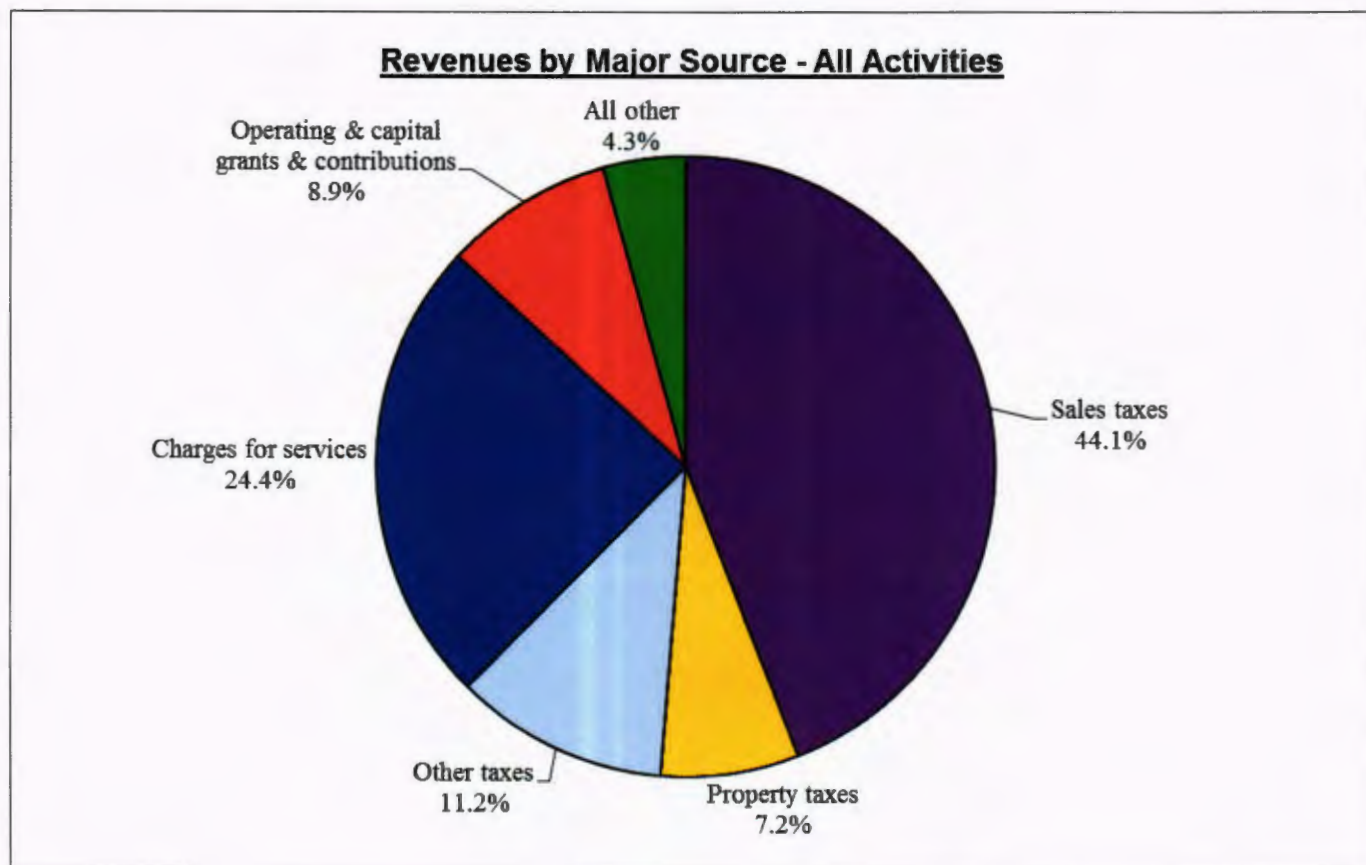
<b>CHANGES IN NET POSITION</b>						
(in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Program revenues:</b>						
Charges for services	\$ 20,435	\$ 20,187	\$ 15,282	\$ 14,621	\$ 35,717	\$ 34,808
Operating grants & contributions	5,143	4,002	2,752	2,835	7,895	6,837
Capital grants & contributions	4,839	8,347	262	267	5,101	8,614
<b>General revenues:</b>						
Property taxes	10,616	10,217	-	-	10,616	10,217
Sales taxes	64,596	60,570	-	-	64,596	60,570
Utility franchise taxes	5,723	5,473	-	-	5,723	5,473
Riverboat gaming taxes	10,658	10,800	-	-	10,658	10,800
Other general revenues	6,057	4,758	252	275	6,309	5,033
<b>Total revenues</b>	<b>128,067</b>	<b>124,354</b>	<b>18,548</b>	<b>17,998</b>	<b>146,615</b>	<b>142,352</b>
<b>Expenses:</b>						
General government	5,813	5,613	-	-	5,813	5,613
Public safety	37,723	36,589	-	-	37,723	36,589
Public works	42,253	34,279	-	-	42,253	34,279
Planning and development	2,656	2,521	-	-	2,656	2,521
General services	6,507	5,839	-	-	6,507	5,839
Community services	6,159	7,191	-	-	6,159	7,191
Interest in long-term debt	3,150	2,704	-	-	3,150	2,704
Civic Center	-	-	3,789	3,949	3,789	3,949
Golf Course	-	-	1,718	1,680	1,718	1,680
Transit	-	-	3,362	3,067	3,362	3,067
Water	-	-	10,845	10,174	10,845	10,174
<b>Total expenses</b>	<b>104,261</b>	<b>94,736</b>	<b>19,714</b>	<b>18,870</b>	<b>123,975</b>	<b>113,606</b>
<b>Excess before transfers</b>	<b>23,806</b>	<b>29,618</b>	<b>(1,166)</b>	<b>(872)</b>	<b>22,640</b>	<b>28,746</b>
<b>Transfers</b>	<b>(2,936)</b>	<b>(2,516)</b>	<b>2,936</b>	<b>2,516</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) net position</b>	<b>20,870</b>	<b>27,102</b>	<b>1,770</b>	<b>1,644</b>	<b>22,640</b>	<b>28,746</b>
<b>Net position - beginning</b>	<b>368,430</b>	<b>341,328</b>	<b>92,788</b>	<b>91,144</b>	<b>461,218</b>	<b>432,472</b>
<b>Net position - ending</b>	<b>\$ 389,300</b>	<b>\$ 368,430</b>	<b>\$ 94,558</b>	<b>\$ 92,788</b>	<b>\$ 483,858</b>	<b>\$ 461,218</b>

As indicated by the above table and the following chart, sales taxes are the City's largest single revenue source, accounting for 44 percent of all government-wide revenue in 2017. Collections of \$64.6 million are an increase of \$4 million from 2016. The City's collection of an additional one-quarter cent sales tax beginning in January 2016 amounted to \$4.5 million in new revenue, with nine months of collections in 2016 and \$6.4 million for the full year in 2017 and accounts for much of the increase. A comparison of previously existing tax levies indicates taxes increased by 3.8 percent. The current trend for the past 4 month's collections indicates an increase of 4.3 percent when compared to the actual collections for the same 4 month period in fiscal year 2017.

The capital grant and contribution funds reflect a decrease of \$3.5 million in 2017 and are due to reductions in state funding for various projects, such as the wastewater treatment plant.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Property taxes account for 7.2 percent of total revenues and increased by 4 percent in 2017. Gaming tax revenue accounts for 7.2 percent of total revenues. The City of Lake Charles and the Calcasieu Parish Police Jury created the Calcasieu Parish Gaming Revenue District and in April 2007 entered into a cooperative endeavor agreement to pool most gaming revenues received parish-wide. Revenues for fiscal year 2017 decreased slightly for the second year in a row. The Golden Nugget Casino opened in December of 2014 and has grown the Lake Area's gaming market but revenues current trends show flat or slightly declined revenue growth.



Total expenses increased by 9 percent to \$124 million compared to \$113.6 million in 2016. The public works category reflects the largest categorical increase of \$8 million and reflects the expense of the construction of the wastewater treatment plant.

### Analysis of Fund Financial Statements

This discussion pertains to the financial statements for the various funds into which the City's accounts are divided to comply with legal requirements. As previously noted, the two fund classifications represented in these statements are governmental and proprietary funds. The below discussion of the Fund Financial Statements is a better representation of the City's current financial condition, rather than the above statements, which represent a longer-term picture of resources and liabilities.

The City's governmental funds had a combined fund balance of \$132,538,722 at the end of fiscal year 2017, a decrease of \$10.8 million from fiscal year 2016 balance of \$143 million. The fund balance in the General Fund increased by \$5 million but was offset by a reduction of \$16 million in the Capital Project Fund for expenses primarily related to the wastewater treatment plant. The ending fund balance of \$35 million in the General Fund compares \$30 million in 2016 and reflects an increase in revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's proprietary funds' net position increased from \$92,787,941 in 2016 to \$94,558,084. The Water Fund's net position increased by \$2.8 million as the City continues to accumulate funds for future capital improvements and expansions to the City's water system, primarily a new water treatment plant with supporting transport lines.

### General Fund Summary

The General Fund is the City's principal operating fund, accounting for nearly half of all revenue received by the City and 61 percent of revenue for all governmental funds.

The adopted budget projected a \$1.4 million deficit between operating revenues and expenditures and transfers, including a transfer for capital projects of \$1.5 million. Actual revenues exceeded budgeted revenues by \$3 million and operating expenditures were \$3.4 million below budget so the result was an increase in fund balance for the year of \$5 million.

The General Fund revenues of \$75,905,138 were an increase of \$5,757,176 or 8 percent over fiscal year 2016 collections of \$70,147,962. Total sales tax revenues of \$49 million accounts for 65 percent of all General Fund revenues. The City began collecting an additional quarter-cent sales tax levy on January 1, 2016. The distribution of that tax included \$2.3 million in 2016 but the allocation changed in 2017 and the amount recorded in the General Fund was \$4.8 million. Previously existing sales taxes increased by \$1.6 million or 3.8 percent. Property taxes account for 12 percent of General Fund revenues and increased to \$9.4 million, an increase of 4 percent due to increased property values for new construction. 2016 was a reassessment year and the City rolled back their millage rate from 15.35 to 15.23.

Actual General Fund operating expenditures of \$64,037,881 were an increase of 6.9 percent over prior year expenditures of \$59,913,041. Salaries of \$26 million accounts for 41 percent of total expenditures and were up \$1.2 million or 5 percent from prior year. As a result of the October 2015 election, the City implemented a new pay plan effective January 1, 2016. In 2016, all Fire Department personnel received a ten percent across the board increase and all other employees received an eight percent across the board pay increase. Effective January 1, 2017, all full time employees received a two percent across the board increase. In both years, this was in addition to the two percent longevity pay for eligible employees. Entry level pay for all firemen and police officers were adjusted to reflect the across the board increases. Starting pay for non-public safety positions was also increased.

Overtime increased to \$3.4 million in 2017 compared to \$3 million in 2016, of which 92 percent is for the Fire and Police Departments. For most of the fiscal year, retirement contribution rates were 26.5 percent for the Fire Department and 30.75 percent for the Police Department and 13.25 percent for all other employees. Contribution expenses for all retirement systems went from \$2.9 million in 2010 to \$5.57 million in 2016 and \$6 million in the 2017 fiscal year. Contribution rates for all systems will increase again, effective July 1, 2018. The City has maintained a constant staffing level since 2011 but have less vacant positions throughout the year due to increased starting pay ranges.

The General Fund had operating transfers of \$4 million in fiscal year 2017 compared to \$4.5 million in 2016 which were necessary to subsidize the grant funds and the proprietary funds. Fiscal year 2016 included a transfer of \$7 million to the Capital Project Fund for wastewater system improvements.

The 2017 original adopted budget included a transfer of \$1.5 million in reserves to the Capital Project Fund to pay for a sewer basin cleanout program that is necessary due to an EPA compliance order. It is the intention to fund this program each year from the General Fund. As allowed by ordinance, funds budgeted for transfers for operating subsidies can also be used to fund capital subsidies, therefore an additional \$1.3 million was transferred from the General Fund to the Capital Project Fund.

In summary, operating revenues exceeded operational expenditures and transfers by \$7.8 million but capital transfers of \$2.8 million resulted in an increase of \$4,984,269 in fund balance. The General Fund's ending balance in 2017 was \$35,009,807, which represents 49 percent of total expenditures and all transfers made from the fund that year. The amount at 2016 fiscal year end was \$30,025,538.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Other Major Fund Summary

The riverboat taxes recorded in the Riverboat Gaming Special Revenue Fund decreased this year to \$10.6 million compared to \$10.8 million in 2016. Golden Nugget Casino opened in December 2014 and increased the gaming market, although the current trend does reflect a slight downturn from the initial increase. Revenues in previous years had exceeded transfers and had resulted in fund balance reserves of \$4.1 million at the end of 2015. However transfers of \$13.8 million in 2016 and \$11 million in 2017 have reduced fund balance reserves to \$745,000 at the end of the fiscal year. Additional transfers were primarily for capital projects.

The Wastewater Special Revenue Fund revenues exceeded \$17 million in both fiscal years 2017 and 2016 with sewer user fees slightly reduced from the prior year. Sewer fee rates have not increased since fiscal year 2014, which was the final year of a rate structure increase that was approved in 2010. Sales taxes of 16 percent of one cent are dedicated to wastewater and increased by 3.8 percent to \$4.1 million. Operating expenses of \$10 million is an increase of 7 percent from \$9.4 million in 2016.

Wastewater funds are transferred each year to the Capital Project Fund and to debt service funds to pay for debt service obligations. The transfer to the Capital Project Fund is used for infrastructure improvements to the wastewater system. Needed expansions and improvements were considered when the rate structure was adopted in 2009 so the revenues collected are insufficient to cover all needed capital improvements of the system. A new rate schedule was recently adopted for water and sewer fees and will be phased in over the next several years. In 2016 total transfers of \$13 million included \$9.5 million for capital improvements. Total transfers in 2017 were \$6.8 million, and included \$3.5 million for capital improvements. Both years transfers included \$3 million for debt service payments. Fund balance reserves from 2016 of \$3.3 million were increased by \$1.1 million in 2017 to \$4.4 million.

The Debt Service Fund expenditures of \$9.4 million in 2017 compare to \$8.7 million in 2016. The increase was due to the repayment of the DEQ loan. The other financing sources in the current year reflected the transactions of a bond refunding. The May 2017 refunding included the remainder of the Public Improvement Bonds originally issued in 2007 and a portion of the Public Improvement Bonds originally issued in 2010. Par amount of \$5,920,000 of the 2007 Public Improvement Bonds were refunded and \$19,720,000 of the 2010 Public Improvement Bonds were refunded. Additional bond proceeds were used to cover costs of issuance and future interest costs. Transfers of \$9 million into the debt service funds come primarily from the Wastewater, Gaming and Capital Project funds. The City continues to draw down funds from the 2011 DEQ loan as needed for sewer plant improvements, the proceeds of this debt is recorded in the Capital Project Fund.

The Capital Projects Fund expenditures of \$50 million account for 35 percent of all governmental fund expenditures and compares to \$33 million in 2016. The increase is primarily attributable to \$28 million spent in 2017, compared to \$14 million which was paid in 2016 for the ongoing construction of the wastewater treatment plant. The 2016 transfers of \$29 million into the fund included \$18.6 million from the General, Riverboat Gaming, Wastewater and other special revenue funds and were being spent primarily for the wastewater treatment plant. Transfers of \$15 million in 2017 are from those same sources but are used for more customary annual capital expenditures. Fund balance was decreased by \$16 million to \$77 million from \$93 million in 2016. The major portion of those funds were accumulated in the previous year to be spent on the plant in this fiscal year.

The business-type activities revenues of \$15 million are unchanged from fiscal year 2016. Operating expenses, less depreciation, increased by \$1.1 million over previous year due to increase in salary and fringe benefit costs. Total net position increased by \$1.7 million from the prior year. While the Water Fund had an increase of \$2.8 million and continues to build reserves for a new water plant, the other funds had a cumulative net loss of \$1.7 million, most of which represents depreciation expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets

The City's total net investment in capital assets of \$441 million at the end of the 2017 fiscal year was an increase of 8 percent from \$407 million at the end of 2016. The increase of \$24 million in completed capital assets includes various wastewater and water system improvements and some street project, much of which were included as work in progress in fiscal year 2016. The \$35 million of construction in progress in 2016 included \$16.5 million for the new wastewater treatment plant. Additional work on the plant in fiscal year 2017 added \$28.5 million more for that project. Total construction in progress of \$63 million includes \$45 million for the treatment plant. Other projects under construction include streets, water system improvements and other various sewer projects.

The voters of Lake Charles approved a \$90 million bond issue in November 2006. The City has issued \$75 million in bonds and the proceeds were used for improving streets and roads, park and recreation facilities, water and wastewater systems, downtown and/or lakefront development infrastructure and economic development initiatives within the City. Riverboat gaming revenue, sales tax revenues and funds from sewer user fees are used to repay the debt.

As of September 30, 2017, the City has spent most of the funds. Four of the five specific local road projects named in the bond issue have been completed to date. Remaining bond funds will be used primarily on the Lake Street project which is currently under construction. The bond referendum included \$15 million for matching funds for improvements to state roads; however this category of bond funds were not issued due to lack of state funding.

Major completed capital projects during the current year included \$10 million in wastewater system improvements and \$2.9 million in street improvements in the Governmental Activities. Changes in the Business-type activates include \$1.6 million for water system improvements.

Major projects that are included in Construction in Progress are as follows:

- Wastewater system improvements account for \$52 million in construction in progress, including Wastewater Treatment Plant B/C construction of \$45 million; Plant A basin project \$1.8 million
- Various street projects under construction total \$5.7 million
- Various water system improvement projects total \$2.5 million.

Components of the City's capital assets are summarized in the following table. As previously noted, reported value for infrastructure is limited to projects completed since 1975. Additional detail is provided by the financial statements and notes thereto (Note 4-C).

Net Investment in Capital Assets as of September 30, 2017						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 16,180	\$ 16,180	\$ 2,105	\$ 2,105	\$ 18,285	\$ 18,285
Construction in progress	60,899	33,326	2,740	1,939	63,639	35,265
Buildings	27,974	28,959	5,754	5,994	33,728	34,953
Improvements other than buildings	37,643	40,171	55,348	54,956	92,991	95,127
Equipment	12,894	12,015	3,255	3,628	16,149	15,643
Infrastructure	216,030	208,008	-	-	216,030	208,008
Total	\$ 371,620	\$ 338,659	\$ 69,202	\$ 68,622	\$ 440,822	\$ 407,281

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Debt Administration

As of September 30, 2017, the City's Governmental Activities reported \$142 million in non-current liabilities compared to \$141 million in the previous year, relatively unchanged for all liabilities. Bonded debt of \$57.7 million is payable from future annual appropriations, all of the outstanding bond principal is due within ten years.

The City has no outstanding general obligation debt to which a bond rating can be assigned. All outstanding bond issues are insured and therefore rated 'AAA' by Standard and Poor's.

The City underwent a formal bond rating process in 2007. They received a rating of 'A+' from Fitch and a rating of 'A' from Standard and Poor's. The 2007 LCDA bond issue of \$35 million had the afore-mentioned underlying rating but is insured so was therefore sold with a rating of 'AAA'. The latest review by Fitch in September of 2016 rated the bonds at AA- with a Stable Outlook. Fitch also affirmed the City's Long-Term Default Rating at 'AA'. All of these bonds have been refunded.

Statutory debt limits are not applicable to any of the City's current outstanding debt.

The City issued phase two of funding in March 2010 as authorized in the \$90 million bond proposition. The \$39,280,000 LCDA bond issue had an underlying rating from Standard and Poor's of 'A+' but was sold as insured 'AAA' bonds. Both the 2007 and 2010 bond issues will be repaid as outlined in the bond covenant. A maximum of 60 percent of Riverboat Gaming Funds, 60 percent of sales tax dedicated to capital projects and up to \$500,000 in sewer user fees are dedicated for the debt service. Stand-by revenues of additional property tax and sales tax levies can be implemented if the primary revenues should ever fall below required debt service limits.

The City refunded \$20 million in variable rate bonds in October 2009. At that time, the City requested a rating from Standard and Poor's and was upgraded to a rating of 'A+'. The bonds, in the amount of \$17,735,000, were insured and were sold with a rating of 'AAA'. The sewer user fees of the Wastewater Special Revenue Fund are used to repay this debt. In September 2014, Standards and Poor's raised the City's bond rating to 'AA-' from 'A+' due to "strong budget performance."

The City issued \$15,825,000 in Revenue Refunding Bonds in December 2014. The proceeds were used to advance refund a portion of the outstanding 2007 Public Improvement Bonds. The Series 2014 Bonds were assigned a rating of "AA-" (stable outlook) by Standard and Poor's.

The City issued \$24,140,000 in Revenue Refunding Bonds in May 2017. The proceeds were used to refund the remaining 2007 Public Improvement Bonds and to advance refund a portion of the outstanding 2010 Public Improvement Bonds. The Series 2017 Bonds were assigned a rating of "AA-" (stable outlook) by Standard and Poor's.

As per notification by Standard and Poor's on February 2018, all City of Lake Charles debt was upgraded one notch following new criteria application; therefore all debt was upgraded from 'AA'- to 'AA'.

The City of Lake Charles was approved in 2011 by the Louisiana Department of Environmental Quality (DEQ) for a \$21,000,000 loan from the State Revolving Loan Fund for improvements to the City's wastewater system. As of the end of fiscal year 2017, the City had received \$20,897,182 from the loan proceeds and repaid \$3,339,000. The debt will be repaid with sewer user fees of the Wastewater Special Revenue Fund through 2032.

The City has been approved for an additional \$15 million loan from the DEQ State Revolving Loan Fund in anticipation of future major sewer improvement projects. As with the 2011 loan, interest and administration fees will total 0.95 percent and would be repaid over a 20 year period.

The City has been approved for \$20 million loan from the Department of Health Drinking Water Revolving Loan Fund in anticipation of future major water system expansions. Interest and administration fees will total 2.45 percent and would be repaid over a 20 year period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information regarding long-term debt and liabilities is provided in the financial statements and accompanying notes (Note 4-G).

### Economic Outlook and Next Year's Budget

According to the December 1, 2017 report of the Southwest Louisiana Economic Development Alliance, SW Louisiana has over \$108 billion in projects announced for the area, primarily made up of LNG export terminals and gas-to-liquid facilities. Of those announced, \$43 billion of those projects are currently under construction with the three largest nearly completed: the Sabine Pass LNG by Cheniere Energy, \$20 billion; Sasol Ethane Cracker Plant, \$11 billion; and Cameron LNG, \$10 billion. The additional \$65 billion of announced projects are at various stages of the permitting process and have construction schedules projected out as far as 2025. Sasol announced in November 2017 that they were cancelling their plans for a proposed \$13 billion gas-to-liquid plant.

Employment growth from these projects has continued since 2014, with Lake Charles' job market being the fastest growing metropolitan statistical area in the state for the past several years, and this pace could continue for several more years. The increases in services and infrastructure to support projects of this magnitude are affecting the Lake Charles area and projects are being carefully considered. Listed below are some of the current trends:

- Sales tax: As reported by the July 2017 through December 2017 Quarterly Report from the Calcasieu Parish School Board Sales Tax Office, total current year sales tax collections are up \$73.7 million or 41.85% for Calcasieu Parish compared to the prior year collections for the same period. However, most of the increase is related to the industrial expansion in the unincorporated areas of the Parish; therefore the Police Jury, School Board and Sherriff's office are the beneficiary of the additional tax revenue. Per the report, the City's current year collections have increased by only 2.68% or less than \$1 million over prior year.

City of Lake Charles sales taxes revenue increased by 3.8 percent in fiscal year 2017 compared to a two percent increase in 2016. The 2017 adopted budget had forecast a one percent increase, which resulted in a positive revenue variance, and increase in fund balance reserves. The 2018 budget projects an increase of 1.2 percent over last year's actual collections. Current trend for the first four months of fiscal year 2018 are an increase of 4 percent when compared to the same period in fiscal year 2017.

- Gaming industry: The Golden Nugget Casino opened in December 2014, making Lake Charles the second largest casino market in Louisiana. The increase in the gaming market was evident in 2015, with City gaming revenue increasing to more than \$11 million from the prior year's collections of \$9.6 million. Collections of \$10.6 in admission taxes for 2017 were reduced from \$10.8 million in 2016. Current trends indicate the market is increased by two percent, therefore the 2018 adopted budget of \$10.8 million seems to be on target.
- Labor market trends: The Louisiana Workforce Commission report dated March 12, 2018 for January 2018 reflected a Civilian Labor Force statewide unemployment rate of 4.6 percent and the United States unemployment rate of 4.1. The Not Seasonally Adjusted unemployment rate for the Lake Charles MSA was estimated at 3.5 percent for January 2018 compared to 4.8 percent in January 2017. The report stated that total nonfarm employment in the Lake Charles MSA has gained 4,700 jobs in 2017, in addition to the 5,600 jobs gained in 2016, mostly in the construction sector. The Lake Charles MSA has seen consecutive monthly increases in employment for the past 5 years.

The above items and other economic indicators were considered when preparing the budget for the 2018 fiscal year.

The City adopted a 2018 General Fund budget with revenue projections of \$75.8 million which will be used to cover operational expenses and transfers of \$75.2 million. Additionally, the budget authorized the use of \$4.1 million of its previously accumulated fund balance to be transferred to the Capital Project Fund to pay for needed improvements to the wastewater basin system and drainage improvements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year 2017 revenues include the first full year of collections of a one-quarter cent sales tax that was approved by a voter referendum in October 2015. The City had historically collected one-quarter cent less in sales tax than all of Calcasieu Parish incorporated and unincorporated areas. The collections of this tax began effective January 1, 2016 and leveled the tax rate for the entirety of Calcasieu Parish. The tax generated \$6.4 million in 2017, with 75 percent being used in the General Fund and 25 percent in the debt reserve fund. This is the same distribution budgeted for 2018.

As a result of the passage of the sales tax effective January 2016 the Fire Department employees received a 10 percent increase and all other City employees received an 8 percent across the board increase and beginning pay scales were increased for all employee groups. Additional across the board pay increases of two percent were given to all employees in January 2017 and 2018.

The Capital Project budget of \$32.7 million includes \$5.3 million for drainage projects, \$8.5 million for street projects, \$8 million for wastewater and \$5.6 million for water system projects. Sources of funding include sales tax revenues of \$7.3 million from the 1986 Sales Tax referendum that was renewed in November 2016. Transfers from other funds to pay for capital improvements include \$6.5 million from the Riverboat Gaming Fund, \$4.1 million from the General Fund and \$3.5 million from the Wastewater Fund. Prior year sales tax revenue of \$1.6 million from the new 2016 levy, that was not needed to repay debt in 2016, is being transferred from the Debt Service Reserve Fund. The City will continue spending funds that were previously accumulated for roads, wastewater and water system improvements and other projects.

Construction is nearly completed on the \$42 million rebuild of the Wastewater Treatment Plant B/C., the biggest single capital project in the City's history. Funding for the project included \$14.3 million from a 2011 DEQ Revolving Loan fund and \$4 million in State Capital Outlay funds. The City's reserves were used to pay the balance, most of which were spent in fiscal years 2016 and 2017.

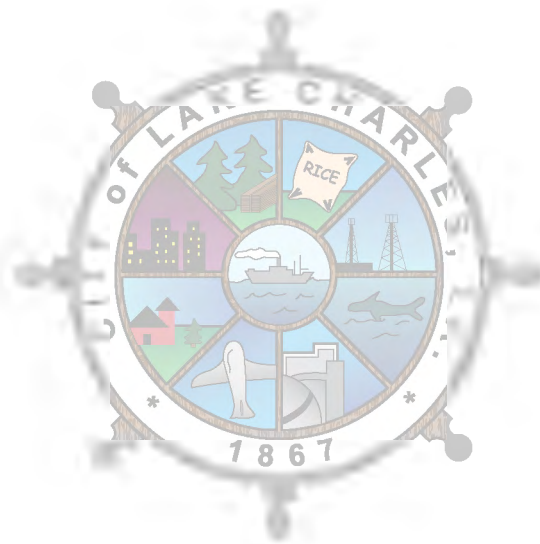
The City has recently begun the study and design phase for a new Water Treatment Plant, with supporting distribution lines. This project is estimated to be near \$30 million and will be funded by accumulated reserves in the Water Utility Fund and a potential loan from the Department of Health Drinking Water Revolving Loan Fund.

The City elected a new mayor for the first time in 17 years in April 2017. Mayor Nic Hunter took office in July 2017 and immediately became involved in the development of the 2018 budget. Since that time, he is very engaged and interested in the financial health of the City, especially as it relates to continued growth and development. The City reelected six of the seven council members to serve an additional four years. We appreciate their interest and input into the financial decisions affecting the City of Lake Charles.

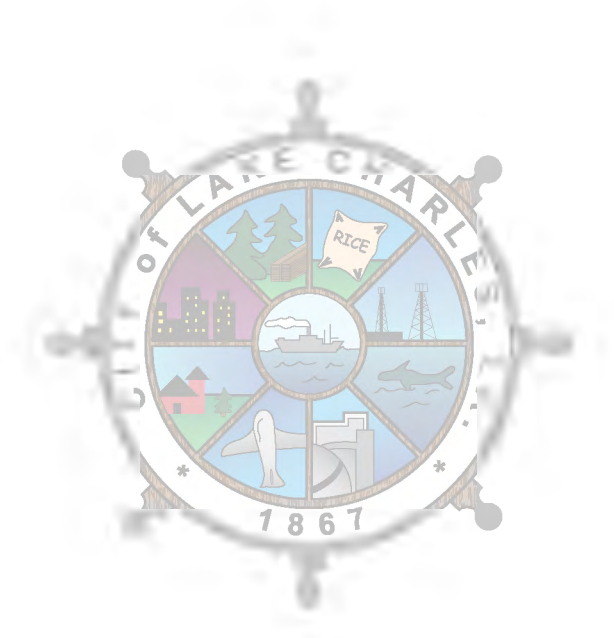
### Requests for Information

This report is intended to provide interested parties with a general overview of the finances of the City of Lake Charles. Questions or requests for further financial information should be addressed to the Department of Finance, City of Lake Charles, P. O. Box 3706, Lake Charles, Louisiana 70602.

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# BASIC FINANCIAL STATEMENTS



# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Net Position

September 30, 2017

	Primary Government			Component Units	
	Governmental	Business-Type	Total	City	City
	Activities	Activities		Court	Marshal
<b>ASSETS</b>					
Cash and cash equivalents	\$ 59,236,043	\$ 6,902,947	\$ 66,138,990	\$ 982,690	\$ 624,962
Investments	91,788,329	23,128,019	114,916,348	-	-
Receivables (net of allowance for uncollectables)	13,641,031	2,015,446	15,656,477	-	600
Internal balances	1,591,959	(1,591,959)	-	101,172	-
Inventories	337,946	327,104	665,050	-	-
Prepays	1,080,167	13,161	1,093,328	-	-
Restricted assets:					
Cash and cash equivalents	-	1,586,934	1,586,934	1,163,045	-
Capital assets not being depreciated:					
Land	16,180,010	2,104,506	18,284,516	-	-
Construction in progress	60,898,839	2,739,964	63,638,803	-	-
Capital assets net of accumulated depreciation:					
Building	27,974,470	5,753,459	33,727,929	-	-
Improvements other than buildings	37,642,604	55,348,524	92,991,128	-	-
Equipment	12,893,677	3,255,435	16,149,112	163,094	186,130
Infrastructure	216,030,556	-	216,030,556	-	-
Total assets	539,295,631	101,583,540	640,879,171	2,410,001	811,692
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on debt refundings	1,605,903	-	1,605,903	-	-
Deferred outflows related to net pension liab	14,043,739	1,565,362	15,609,101	25,266	-
	15,649,642	1,565,362	17,215,004	25,266	-
<b>LIABILITIES</b>					
Accounts payable & other current liabilities	6,482,097	1,404,983	7,887,080	31,919	3,471
Liabilities payable from restricted assets	-	1,586,712	1,586,712	-	-
Noncurrent liabilities:					
Claims payable within one year	6,844,198	-	6,844,198	-	-
Claims payable in more than one year	1,348,820	-	1,348,820	-	-
Due within one year	7,593,624	5,000	7,598,624	-	-
Due in more than one year	74,932,338	591,650	75,523,988	-	-
OPEB payable due in more than one year	2,230,086	281,700	2,511,786	-	-
Net pension liability due in more than one year	63,286,225	4,620,468	67,906,693	241,400	-
Total liabilities	162,717,388	8,490,513	171,207,901	273,319	3,471
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to net pension liab	2,927,563	100,305	3,027,868	5,269	-
<b>NET POSITION</b>					
Net investment in capital assets	294,028,516	69,201,888	363,230,404	163,094	186,130
Restricted for:					
Capital projects	28,278,553	-	28,278,553	-	-
Debt service	5,130,680	-	5,130,680	-	-
Unrestricted	61,862,573	25,356,196	87,218,769	1,993,585	622,091
Total net position	\$ 389,300,322	\$ 94,558,084	\$ 483,858,406	\$ 2,156,679	\$ 808,221

The notes to the financial statements are an integral part of this statement.

# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Activities

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City Court	City Marshal
					Governmental Activities	Business-Type Activities	Total		
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 5,812,852	\$ 6,195,338	\$ 260,229	\$ 215,366	\$ 858,081	\$ -	\$ 858,081	\$ -	\$ -
Public safety	37,722,822	50,048	3,060,846	-	(34,611,928)	-	(34,611,928)	-	-
Public works	42,253,530	13,486,598	67,879	4,586,509	(24,112,544)	-	(24,112,544)	-	-
Planning and development	2,656,677	361,718	789,910	-	(1,505,049)	-	(1,505,049)	-	-
General services	6,507,033	2,066	158,395	-	(6,346,572)	-	(6,346,572)	-	-
Community services	6,158,706	339,712	805,664	37,000	(4,976,330)	-	(4,976,330)	-	-
Interest in long-term debt	3,149,772	-	-	-	(3,149,772)	-	(3,149,772)	-	-
Total governmental activities	104,261,392	20,435,480	5,142,923	4,838,875	(73,844,114)	-	(73,844,114)	-	-
Business-type activities:									
Civic center	3,788,824	971,360	940,000	-	-	(1,877,464)	(1,877,464)	-	-
Golf Course	1,718,210	903,040	-	-	-	(815,170)	(815,170)	-	-
Transit	3,361,381	191,826	1,811,946	46,931	-	(1,310,678)	(1,310,678)	-	-
Water	10,845,330	13,215,887	-	215,000	-	2,585,557	2,585,557	-	-
Total business-type activities	19,713,745	15,282,113	2,751,946	261,931	-	(1,417,755)	(1,417,755)	-	-
Total primary government	\$123,975,137	\$35,717,593	\$7,894,869	\$ 5,100,806	\$ (73,844,114)	\$ (1,417,755)	\$ (75,261,869)	\$ -	\$ -
<b>Component units:</b>									
City Court	\$ 876,022	\$ 384,744	\$ -	\$ 204,190				\$ (287,088)	\$ -
City Marshal	929,580	981,607	-	-				-	52,027
Total component units	\$ 1,805,602	\$ 1,366,351	\$ -	\$ 204,190	-	-	-	\$ (287,088)	\$ 52,027
General revenues:									
Property taxes					10,616,469	-	10,616,469	-	-
Sales taxes					64,596,373	-	64,596,373	-	-
Franchise taxes					5,722,675	-	5,722,675	-	-
Riverboat taxes					10,657,944	-	10,657,944	-	-
Grants and contributions not restricted to specific programs					227,691	-	227,691	-	-
Interest and investment earnings					1,162,105	251,993	1,414,098	2,927	-
Miscellaneous					4,666,850	-	4,666,850	266,429	-
Transfers					(2,935,905)	2,935,905	-	-	-
Total general revenues and transfers					94,714,202	3,187,898	97,902,100	269,356	-
Change in net position					20,870,088	1,770,143	22,640,231	(17,732)	52,027
Net position - beginning					368,430,234	92,787,941	461,218,175	2,174,411	756,194
Net position - ending					\$ 389,300,322	\$94,558,084	\$483,858,406	\$ 2,156,679	\$ 808,221

The notes to the financial statements are an integral part of this statement.

# CITY OF LAKE CHARLES, LOUISIANA

## Balance Sheet Governmental Funds September 30, 2017

	<b>General</b>	<b>Riverboat Gaming Special Revenue</b>
<b>ASSETS</b>		
Cash (Note 4-A)	\$ 13,800,275	\$ 1,791,899
Investments (Note 4-A)	15,990,414	575,963
Receivable (net of allowance for uncollectable)		
Accounts (Note 4-B)	6,861,454	1,140,932
Special Assessments	-	-
Accrued interest	9,947	-
Intergovernmental (Note 4-B)	60,854	-
Due from other funds (Note 4-F)	1,931,984	-
Inventory	337,946	-
Prepaid items	346,174	-
Total assets	<u>\$ 39,339,048</u>	<u>\$ 3,508,794</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,401,269	\$ -
Contracts payable	-	-
Escrow	526,943	-
Due to other funds	1,391,324	2,763,878
Unearned revenue	-	-
Other liabilities	9,705	-
Total liabilities	<u>4,329,241</u>	<u>2,763,878</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Inventory	346,174	-
Pre-paid items	337,946	-
Restricted:		
Sales tax and bond funds for capital projects	-	-
Debt service reserve	-	-
Committed :		
Capital projects	-	-
Wastewater system improvements	-	-
Debt service payments	-	-
Other purposes - subsequent year's expenditures	3,561,194	-
Assigned:		
Community services	-	-
Public safety	-	-
Disaster recovery	-	-
Capital projects	-	744,916
Unassigned	30,764,493	-
Total fund balances	<u>35,009,807</u>	<u>744,916</u>
Total liabilities and fund balances	<u>\$ 39,339,048</u>	<u>\$ 3,508,794</u>

The notes to the financial statements are an integral part of this statement.

<b>Wastewater Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Special Revenue Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,429,221	\$ 5,106,981	\$ 12,907,829	\$ 7,811,497	\$ 43,847,702
612,937	25,254	61,870,962	1,298,071	80,373,601
1,976,479	-	612,603	321,288	10,912,756
-	-	196,865	-	196,865
-	-	104,872	-	114,819
-	115,445	531,532	654,978	1,362,809
-	23,231	3,975,000	157,520	6,087,735
-	-	-	-	337,946
38,484	2,200	95,000	21,482	503,340
<u>\$ 5,057,121</u>	<u>\$ 5,273,111</u>	<u>\$ 80,294,663</u>	<u>\$ 10,264,836</u>	<u>\$ 143,737,573</u>
\$ 305,217	\$ 23,231	\$ 197,830	\$ 312,700	\$ 3,240,247
-	-	2,612,056	-	2,612,056
7,826	-	-	3,092	537,861
369,627	-	-	173,153	4,697,982
-	-	95,000	6,000	101,000
-	-	-	-	9,705
<u>682,670</u>	<u>23,231</u>	<u>2,904,886</u>	<u>494,945</u>	<u>11,198,851</u>
-	-	-	-	346,174
38,484	2,200	-	21,481	400,111
-	-	28,278,553	-	28,278,553
-	5,130,679	-	-	5,130,679
-	-	44,228,694	-	44,228,694
4,335,967	-	4,637,067	-	8,973,034
-	117,001	-	-	117,001
-	-	-	1,744,459	5,305,653
-	-	-	1,174,996	1,174,996
-	-	-	602,476	602,476
-	-	-	3,023,866	3,023,866
-	-	245,463	3,202,613	4,192,992
-	-	-	-	30,764,493
<u>4,374,451</u>	<u>5,249,880</u>	<u>77,389,777</u>	<u>9,769,891</u>	<u>132,538,722</u>
<u>\$ 5,057,121</u>	<u>\$ 5,273,111</u>	<u>\$ 80,294,663</u>	<u>\$ 10,264,836</u>	

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 funds.	371,611,700
Other long-term assets are not available to pay for current-period expenditures.	101,000
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	19,738,804
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(147,411,983)
Deferred outflows and inflows of resources are not available to pay current period expenditures and therefore are not reported in the government funds	12,722,079
Net position of governmental activities	<u>\$ 389,300,322</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For Fiscal Year Ended September 30, 2017**

	<u>General</u>	<u>Riverboat Gaming Special Revenue</u>
<b>Revenues:</b>		
Taxes	\$ 62,039,619	\$ 10,657,944
Licenses and permits	6,597,424	-
Intergovernmental	3,082,863	-
Charges for services	2,762,447	-
Fines and forfeitures	301,103	-
Miscellaneous	1,121,682	19,332
Total revenues	<u>75,905,138</u>	<u>10,677,276</u>
<b>Expenditures:</b>		
Current operating:		
General government	3,204,360	-
Finance	1,714,273	-
Human Resources	397,613	-
Fire	15,870,091	-
Police	19,257,152	-
Public works	16,829,777	-
Planning and development	1,975,729	-
Community services	-	-
General services	4,788,886	-
Capital projects	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>64,037,881</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>11,867,257</u>	<u>10,677,276</u>
<b>Other financing sources (uses):</b>		
Transfers in	-	-
Transfers out	(6,882,988)	(11,062,304)
Issuance of debt - LCDA refunding bonds	-	-
Issuance of debt	-	-
Premium on debt issuance - LCDA bonds	-	-
Bond refunding - cost of issuance	-	-
Payment to refunded bond escrow agent-current refund	-	-
Payment to refunded bond escrow agent -advance refund	-	-
Payment to refunded bond escrow agent - interest	-	-
Total other financing sources (uses)	<u>(6,882,988)</u>	<u>(11,062,304)</u>
Net change in fund balances	4,984,269	(385,028)
Fund balance at beginning of year	<u>30,025,538</u>	<u>1,129,944</u>
Fund balance at end of year	<u>\$ 35,009,807</u>	<u>\$ 744,916</u>

The notes to the financial statements are an integral part of this statement.

<b>Wastewater Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Special Revenue Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,111,259	\$ -	\$ 7,194,703	\$ 4,822,815	\$ 88,826,340
-	-	-	-	6,597,424
-	215,366	5,101,422	2,203,846	10,603,497
13,361,068	-	-	163,425	16,286,940
-	-	-	-	301,103
121,603	32,366	541,579	317,672	2,154,234
<u>17,593,930</u>	<u>247,732</u>	<u>12,837,704</u>	<u>7,507,758</u>	<u>124,769,538</u>
-	-	-	-	3,204,360
-	-	-	-	1,714,273
-	-	-	-	397,613
-	-	-	-	15,870,091
-	-	-	513,356	19,770,508
9,591,808	-	-	-	26,421,585
-	-	-	635,547	2,611,276
-	-	-	5,998,397	5,998,397
-	-	-	-	4,788,886
441,205	-	50,028,846	-	50,470,051
-	6,664,637	-	-	6,664,637
-	2,719,730	-	-	2,719,730
<u>10,033,013</u>	<u>9,384,367</u>	<u>50,028,846</u>	<u>7,147,300</u>	<u>140,631,407</u>
<u>7,560,917</u>	<u>(9,136,635)</u>	<u>(37,191,142)</u>	<u>360,458</u>	<u>(15,861,869)</u>
357,141	9,098,357	15,443,000	1,717,270	26,615,768
(6,820,000)	-	(2,318,381)	(2,468,000)	(29,551,673)
-	24,140,000	-	-	24,140,000
-	-	8,012,943	-	8,012,943
-	3,687,728	-	-	3,687,728
-	(378,726)	-	-	(378,726)
-	(5,920,000)	-	-	(5,920,000)
-	(19,720,000)	-	-	(19,720,000)
-	(1,801,605)	-	-	(1,801,605)
<u>(6,462,859)</u>	<u>9,105,754</u>	<u>21,137,562</u>	<u>(750,730)</u>	<u>5,084,435</u>
1,098,058	(30,881)	(16,053,580)	(390,272)	(10,777,434)
<u>3,276,393</u>	<u>5,280,761</u>	<u>93,443,357</u>	<u>10,160,163</u>	<u>143,316,156</u>
<u>\$ 4,374,451</u>	<u>\$ 5,249,880</u>	<u>\$ 77,389,777</u>	<u>\$ 9,769,891</u>	<u>\$ 132,538,722</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For Fiscal Year Ended September 30, 2017**

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

Net change in fund balances - total governmental funds	\$ (10,777,434)
--	-----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	32,965,527
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(69,417)
---	----------

The issuance of long-term debt 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,341,702)
--	-------------

Net effect of pension liability recognition	(2,710,298)
---	-------------

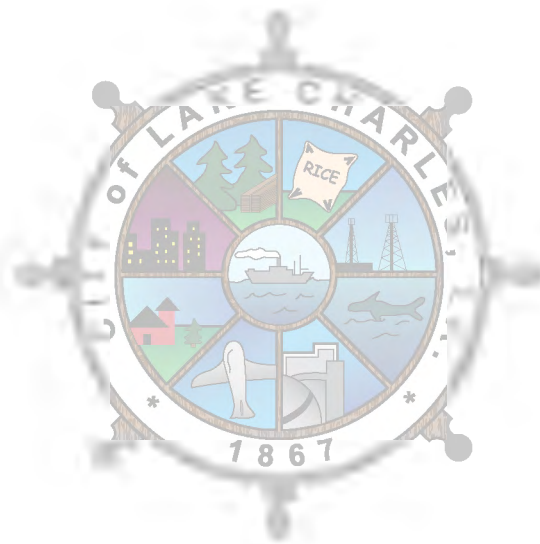
Deferred charge on debt refunding, net current year amortization	606,624
--	---------

Internal service funds are used by management to charge the costs of insurance to individual funds. The net expenses of certain activities of internal service funds is reported within the governmental activities.	<u>3,196,788</u>
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Change in net position of governmental activities	<u><u>\$ 20,870,088</u></u>
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The notes to the financial statements are an integral part of this statement.

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# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Net Position

### Proprietary Funds

September 30, 2017

	<b>Business-type Activities-Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Civic Center</b>	<b>Golf Course</b>	<b>Public Transit</b>	<b>Water Utility</b>	<b>Totals 2017</b>	
<b>ASSETS</b>						
Current assets:						
Cash	\$ 907,785	\$ 633,551	485,588	\$ 4,876,023	\$ 6,902,947	\$ 15,388,341
Investments	3,581,671	-	39,851	19,506,497	23,128,019	11,414,729
Restricted cash:						
Customer deposits	-	-	-	1,586,934	1,586,934	-
Accounts receivable (net of allowance for uncollectible)	20,423	253	-	1,181,633	1,202,309	1,023,066
Accrued interest receivable	2,104	-	-	25,966	28,070	30,716
Intergovernmental receivables	-	-	785,067	-	785,067	-
Due from other funds	290	-	105	-	395	-
Inventories	29,007	40,483	-	257,614	327,104	-
Prepaid items	5,250	269	2,242	5,400	13,161	576,827
Total current assets	<u>4,546,530</u>	<u>674,556</u>	<u>1,312,853</u>	<u>27,440,067</u>	<u>33,974,006</u>	<u>28,433,679</u>
Capital assets:						
Land	-	1,065,697	806,824	231,985	2,104,506	-
Buses	-	-	2,638,296	-	2,638,296	-
Buildings and structures	18,768,595	2,123,406	4,529,761	459,284	25,881,046	-
Improvements	20,477,844	2,812,817	-	77,063,398	100,354,059	-
Construction in Progress	211,823	-	19,103	2,509,038	2,739,964	-
Equipment, furniture and fixtures	3,505,754	366,775	946,787	2,297,749	7,117,065	35,257
Total capital assets	<u>42,964,016</u>	<u>6,368,695</u>	<u>8,940,771</u>	<u>82,561,454</u>	<u>140,834,936</u>	<u>35,257</u>
Less accumulated depreciation	<u>31,609,899</u>	<u>2,407,267</u>	<u>2,873,314</u>	<u>34,742,568</u>	<u>71,633,048</u>	<u>26,802</u>
Total capital assets (net of accumulated depreciation)	<u>11,354,117</u>	<u>3,961,428</u>	<u>6,067,457</u>	<u>47,818,886</u>	<u>69,201,888</u>	<u>8,455</u>
Total assets	<u>15,900,647</u>	<u>4,635,984</u>	<u>7,380,310</u>	<u>75,258,953</u>	<u>103,175,894</u>	<u>28,442,134</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred amounts related to net pension liabilities	<u>304,742</u>	<u>140,917</u>	<u>245,044</u>	<u>874,659</u>	<u>1,565,362</u>	<u>162,436</u>

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Civic Center	Golf Course	Public Transit	Water Utility	Totals 2017	
<b>LIABILITIES</b>						
Current liabilities :						
Accounts payable	245,424	52,896	63,414	946,289	1,308,023	82,228
Contracts payable	19,832	-	610	67,089	87,531	-
Customer deposits payable	-	-	-	1,586,712	1,586,712	-
Escrow	6,474	2,955	-	-	9,429	-
Due to other funds	286,703	193,150	512,181	398,096	1,390,130	18
Total current liabilities	558,433	249,001	576,205	2,998,186	4,381,825	82,246
Non-current liabilities:						
Compensated absences	108,028	43,668	99,404	345,550	596,650	129,280
OPEB liability	48,392	47,706	33,809	151,793	281,700	21,547
Net pension liability	899,506	415,944	723,293	2,581,725	4,620,468	479,463
Accrued insurance claims	-	-	-	-	-	6,519,198
Incurred-not reported claims	-	-	-	-	-	325,000
Accrued insurance claims-noncurrent	-	-	-	-	-	1,348,820
Total non-current liabilities	1,055,926	507,318	856,506	3,079,068	5,498,818	8,823,308
Total liabilities	1,614,359	756,319	1,432,711	6,077,254	9,880,643	8,905,554
<b>DEFERRED INFLOW OF RESOURCES</b>						
Deferred amounts related to net pension liabilities	19,527	9,030	15,702	56,046	100,305	10,408
<b>NET POSITION</b>						
Net investment in capital assets	11,354,117	3,961,428	6,067,457	47,818,886	69,201,888	8,455
Unrestricted	3,217,386	50,124	109,484	22,181,426	25,558,420	19,680,153
Total net position	\$ 14,571,503	\$ 4,011,552	\$ 6,176,941	\$ 70,000,312	94,760,308	\$ 19,688,608
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(202,224)	
Net position of business-type activities					\$94,558,084	

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2017**

	<u>Business-type</u>	
	<u>Civic Center</u>	<u>Golf Course</u>
Operating revenues:		
Charges for services	\$ 943,318	\$ 889,276
Other	26,466	12,812
Total operating revenues	<u>969,784</u>	<u>902,088</u>
Operating expenses:		
Personal services	1,308,234	775,836
Materials and supplies	302,872	342,855
Maintenance	202,605	193,733
Utilities	487,797	42,616
Transportation	-	-
General and administration	281,247	153,192
Claims and losses paid	-	-
Depreciation	1,262,761	237,566
Total operating expenses	<u>3,845,516</u>	<u>1,745,798</u>
Operating income (loss)	<u>(2,875,732)</u>	<u>(843,710)</u>
Nonoperating revenues (expenses):		
Operating grants-governmental agencies	940,000	-
Interest	40,339	6,197
Gain (loss) on retirement or transfer of capital assets	(12,232)	952
Total nonoperating revenues	<u>968,107</u>	<u>7,149</u>
Income (loss) before operating transfers	<u>(1,907,625)</u>	<u>(836,561)</u>
Capital contributions and transfers:		
Capital contributions - governmental agencies	-	-
Transfers in (out)	839,668	428,396
Total capital contributions and transfers	<u>839,668</u>	<u>428,396</u>
Change in net position	(1,067,957)	(408,165)
Net position at beginning of year	15,639,460	4,419,717
Net position at end of year	<u>\$ 14,571,503</u>	<u>\$ 4,011,552</u>

The notes to the financial statements are an integral part of this statement.

Activities-Enterprise Funds			Governmental
Public Transit	Water Utility	Totals 2017	Activities - Internal Service Funds
\$ 103,670	\$ 12,540,602	\$ 14,476,866	\$ 15,605,289
88,156	612,015	739,449	375,053
191,826	13,152,617	15,216,315	15,980,342
1,071,073	3,631,995	6,787,138	732,844
26,735	1,363,485	2,035,947	18,691
256,186	592,878	1,245,402	-
36,864	926,500	1,493,777	-
252,147	-	252,147	-
1,471,732	2,993,929	4,900,100	2,397,260
-	-	-	9,178,230
465,823	1,695,275	3,661,425	4,058
3,580,560	11,204,062	20,375,936	12,331,083
(3,388,734)	1,948,555	(5,159,621)	3,649,259
1,811,946	-	2,751,946	-
5,133	200,324	251,993	223,528
-	63,270	51,990	-
1,817,079	263,594	3,055,929	223,528
(1,571,655)	2,212,149	(2,103,692)	3,872,787
46,931	215,000	261,931	-
1,317,515	350,326	2,935,905	-
1,364,446	565,326	3,197,836	-
(207,209)	2,777,475	1,094,144	3,872,787
6,384,150	67,222,837		15,815,821
\$ 6,176,941	\$ 70,000,312		\$ 19,688,608

Adjustments to reflect the consolidation of  
internal service fund activities related  
to enterprise funds  
Change in net position of business-type activities

675,999  
\$ 1,770,143

# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Cash Flows

### Proprietary Funds

Fiscal Year Ended September 30, 2017

	<u>Civic Center</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 987,541
Payments to employees	(1,193,650)
Payments to suppliers	(1,269,276)
Internal activity - payments from other funds	(290)
Internal activity - payments to other funds	(34,434)
Net cash provided by operating activities	<u>(1,510,109)</u>
<b>Cash flow from noncapital financing activities:</b>	
Operating subsidies	639,668
Shared revenue from governmental agencies	940,000
Net cash provided by noncapital financing activities	<u>1,579,668</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases/sale of capital assets	(204,204)
Contracts payable	(911,606)
Capital subsidies from governmental agencies	-
Capital transfers	200,000
Net cash provided (used for) capital and related financing activities	<u>(915,810)</u>
<b>Cash flow from investing activities:</b>	
Purchase of investment securities	(516,469)
Proceeds from sale and maturities of investment securities	-
Interest on investments	49,540
Net cash provided (used for) investing activities	<u>(466,929)</u>
Net increase (decrease) in cash and cash equivalents	(1,313,180)
Cash and cash equivalents at beginning of year	2,220,965
Cash and cash equivalents at end of year	<u>\$ 907,785</u>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (2,875,732)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	1,262,761
(Increase) decrease in accounts receivable	17,757
(Increase) decrease in due from other funds	(290)
(Increase) decrease in inventories	(676)
(Increase) decrease in prepaid items	(462)
(Increase) decrease in deferred outflows of resources	(26,563)
Increase (Decrease) in accounts payables	28,491
Increase (Decrease) in miscellaneous payables	(3,137)
Increase (Decrease) in customer deposit account	-
Increase (Decrease) in compensated absences payable	11,518
Increase (Decrease) in OPEB liability	(2,512)
Increase (Decrease) in NP liability	106,864
Increase (Decrease) in due deferred inflows of resources	6,306
Increase (Decrease) in due to other funds	(34,434)
Total adjustments	<u>1,365,623</u>
Net cash provided (used) by operating activities	<u>\$ (1,510,109)</u>

#### Noncash investing and capital activities:

Assets retired/transferred cost \$343,750 and had accumulated depreciation of \$329,942, loss of \$13,808.

Developer/governmental agencies donated capital assets of \$215,000.

Change in the fair value of investments resulted in an unrealized loss of \$85,899 at year end 2017 and an unrealized gain of \$9,927 at year end 2016.

The notes to the financial statements are an integral part of this statement.

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
<b>Golf Course</b>	<b>Transit</b>	<b>Water Utility</b>	<b>Totals 2017</b>	
\$ 901,835	\$ 191,826	\$ 13,095,462	\$ 15,176,664	\$ 16,378,115
(724,650)	(987,098)	(3,337,834)	(6,243,232)	(663,200)
(726,441)	(2,069,130)	(5,381,867)	(9,446,714)	(11,944,992)
-	-	-	(290)	-
25,140	452,297	543,350	986,353	(89)
<u>(524,116)</u>	<u>(2,412,105)</u>	<u>4,919,111</u>	<u>472,781</u>	<u>3,769,834</u>
428,396	1,023,303	350,326	2,441,693	-
-	1,623,688	-	2,563,688	-
<u>428,396</u>	<u>2,646,991</u>	<u>350,326</u>	<u>5,005,381</u>	<u>-</u>
(11,715)	-	(234,277)	(450,196)	-
(136,454)	(58,664)	(2,459,723)	(3,566,447)	-
-	10,336	-	10,336	-
-	294,212	-	494,212	-
<u>(148,169)</u>	<u>245,884</u>	<u>(2,694,000)</u>	<u>(3,512,095)</u>	<u>-</u>
-	(315)	(7,275,592)	(7,792,376)	(9,183,082)
-	-	1,200,000	1,200,000	7,805,700
6,197	5,133	234,861	295,731	230,150
<u>6,197</u>	<u>4,818</u>	<u>(5,840,731)</u>	<u>(6,296,645)</u>	<u>(1,147,232)</u>
(237,692)	485,588	(3,265,294)	(4,330,578)	2,622,602
871,243	-	9,728,251	12,820,459	12,765,739
<u>\$ 633,551</u>	<u>\$ 485,588</u>	<u>\$ 6,462,957</u>	<u>\$ 8,489,881</u>	<u>\$ 15,388,341</u>
<u>\$ (843,710)</u>	<u>\$(3,388,734)</u>	<u>\$ 1,948,555</u>	<u>\$ (5,159,621)</u>	<u>\$ 3,649,259</u>
237,566	465,823	1,695,275	3,661,425	4,058
(253)	-	(152,473)	(134,969)	397,773
-	110	145,562	145,382	-
1,251	-	(12,102)	(11,527)	-
(260)	(287)	28,143	27,134	198,119
(12,283)	(21,360)	(76,240)	(136,446)	(14,158)
20,295	(17,041)	514,226	545,971	(474)
(9,007)	-	-	(12,144)	(545,457)
-	-	95,318	95,318	-
3,615	8,133	9,787	33,053	21,214
1,199	(1,936)	457	(2,792)	(733)
49,415	85,929	306,716	548,924	56,961
2,916	5,071	18,099	32,392	3,361
25,140	452,187	397,788	840,681	(89)
<u>319,594</u>	<u>976,629</u>	<u>2,970,556</u>	<u>5,632,402</u>	<u>120,575</u>
<u>\$ (524,116)</u>	<u>\$(2,412,105)</u>	<u>\$ 4,919,111</u>	<u>\$ 472,781</u>	<u>\$ 3,769,834</u>

## NOTES TO FINANCIAL STATEMENTS

### CITY OF LAKE CHARLES, LOUISIANA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

#### 1. Summary of Significant Accounting Policies

##### A. Reporting Entity

The City of Lake Charles, Louisiana (the City) was incorporated in 1867, and operates under a home rule charter, which became effective in 1961. The City utilizes the Mayor-Council form of government and provides a full range of municipal services under a centralized system of administration.

The accounting and financial reporting policies of the City conform to generally accepted accounting principles as applicable to governments. Such policies 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, Audit of State and Local Governmental Units. Following is a summary of the more significant accounting policies.

The accompanying financial statements include all funds, which are directly controlled by the City, and which constitute the primary government as defined for financial reporting purposes. In accordance with generally accepted accounting principles, this report also includes component units, which are legally separate from the City but considered to be fiscally dependent on the primary government. Component units are discretely presented in this report, are reported for periods and balance sheet dates which differ from the City's, and have been separately audited. Further disclosures concerning such units are provided below.

##### Discretely Presented Component Units

Financial data of component units is displayed on the Statement of Net Position and Statement of Activities. The reported component units are as follows:

###### *City Court of Lake Charles:*

This entity is created by state statutes, which provide for its governance by independently elected officials and has a jurisdictional area extending beyond the corporate limits of the City. Although legally separate, City Court is fiscally dependent upon the government because of the statutory requirements that the City provides and maintains the physical facilities necessary for its operation. The relationship between the City and City Court is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for the City Court component unit is from its separately audited financial statements for the fiscal year ended December 31, 2016.

###### *Ward Three Marshal:*

The office of Ward Three Marshal, which is governed by an independently elected official, is created in the same statutory manner as City Court and has a corresponding area of jurisdiction. Although legally separate, the office of Ward Three Marshal is fiscally dependent upon the government because of the statutory requirements that the City provides and maintains the physical facilities necessary for its operation. The relationship between the Marshal and the City is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for this component unit are from its separately audited financial report for the year ended December 31, 2016. Complete financial statements of the individual component units are available from the City of Lake Charles at 326 Pujoe Street, Lake Charles, Louisiana 70601.

## NOTES TO FINANCIAL STATEMENTS

### **B. Government-wide and Fund Financial Statement**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and the intergovernmental revenues, are reported separately from business-type activities, which rely primarily on charges for services for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 as general revenues.

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

### **C. Measurement Focus and Basis of Accounting in the Basic Financial Statement**

The government-wide financial statement of net position and statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions should be recognized in accordance with the requirements of Section N50, Non-exchange Transactions.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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 so they have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Governmental funds are, in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and deferred outflow of resources, and liabilities and deferred inflow of resources is referred to as "Fund Balance."

## NOTES TO FINANCIAL STATEMENTS

The City of Lake Charles reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

Riverboat Gaming Special Revenue Fund – This fund accounts for receipt and subsequent expenditure or transfer of revenue from casino riverboat admissions taxes.

Wastewater Fund – This fund accounts for the receipt and subsequent expenditure of dedicated sales taxes, sewer use charges, and other current charges dedicated to operations, maintenance and improvement of the City's sanitary sewerage system.

Debt Service Fund – This fund is used to account for the accumulation of resources and the payments made for principal, interest, and related costs on long-term debt obligations of governmental funds. The primary source of revenue is transfers in from other funds as mandated by law or City policy.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Revenues include 28 percent of one percent sales tax dedicated to capital improvements and various intergovernmental revenues.

The City of Lake Charles reports the following proprietary funds:

Civic Center – This fund accounts for the activities of the Lake Charles Civic Center.

Golf Course – This fund accounts for the activities of Mallard Cove Golf Course.

Transit Fund – This fund accounts for the operation of the City's transit system.

Water Fund – This fund accounts for the operation of the City's water system.

The City of Lake Charles reports the following additional fund type:

Internal Service Funds - Internal Service Funds are used to account for the insurance needs provided to other departments of the City, 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 rule are payments between the government's water function and various other functions of the government. 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. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and are reported as program revenues.

## NOTES TO FINANCIAL STATEMENTS

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

### **D. Assets, Liabilities and Net Position**

#### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment program is authorized and limited by state statute and city ordinances to purchases of securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities and participation in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool equivalent to a money market fund. LAMP invests in short-term instruments permitted by statute.

Investments for the government, its component units and for LAMP are reported at fair value.

#### **2. Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables, including those for grass cutting and demolition assessments in the governmental funds and water and sewer charges in the enterprise funds, are shown net of an allowance for uncollectables. The allowance for estimated uncollectable receivables is established based on historical collection experience and other relevant circumstances.

There appears to be concentration of credit-risk with regard to general accounts receivable and, more specifically, accounts receivable for water and sewer user fees in the Wastewater Special Revenue Fund and the Water Utility Enterprise Fund. The City's ability to collect the amounts due from the users of the City water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

The City property taxes must be levied by December 1 of each year. Property taxes are due by December 31 and are delinquent by January 1. Delinquent property taxes are assessed interest at one and one-quarter percent per month for the period of delinquency. Property owners with taxes still delinquent by March 1 are notified by certified mail that they have twenty days to pay delinquent property taxes. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same as the levy date. Sale of delinquent properties is held each year as soon as possible after May 1. Most taxes are collected in December, January and February.

#### **3. Inventories and Unpaid Items**

Inventory is valued at average cost. Inventory in the General Fund consists of materials and supplies held for consumption and are accounted for under the consumption method where expenditures are recorded when the goods are used. Inventories are also held in the enterprise funds. These consist of concession supplies held for sale to the public and materials held for water system maintenance and improvements. Certain payments made to vendors are for services that will benefit subsequent periods, and, using the consumption method, these expenses are

## NOTES TO FINANCIAL STATEMENTS

recorded as prepaid items in fiscal year 2017 in both the governmental-wide and fund financial statements.

### 4. Restricted Assets

Customer deposits in the Water Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited to repayment of deposits to qualified customers or upon termination of service.

### 5. 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 defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Historically, capital assets constructed during the past 30 years had been financed on a pay-as-go basis. However, the City incurred debt in 2003 for the construction of a new sewer treatment facility and issued bonds in 2007 and 2010 to fund capital improvements, such as roads, water, sewer, recreation and downtown development activities. Debt was also incurred during the past two fiscal years for improvements to the City's wastewater plant.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements other than buildings	20
Public Domain infrastructure	10 – 50
System infrastructure	10 – 50
Machinery and equipment	7

### 6. Compensated Absences

It is the government's policy to permit employees to accumulate earned, but unused, vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. There was \$580 recorded in the governmental fund statements as a payable to employees who had terminated as of the end of the fiscal year on September 30, 2017.

Vacation is based on the number of years of service and is earned as follows:

First four years	10 days
Five to nine years	15 days
Ten to nineteen years	20 days
Nineteen years and over	25 days

## NOTES TO FINANCIAL STATEMENTS

Sick pay is based on the number of years of service and is carried as follows:

First three years	8 hours per month
Four years and over	12 hours per month

Sick pay is not vested except at retirement, where accumulated sick pay hours up to six hundred (600) are payable to non-civil service retirees. The termination payment liability was calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by the current employee population as of September 30, 2017. Because there was no current liability at the end of the fiscal year, all estimated termination payment liability is recorded in the government-wide and proprietary fund financial statements.

City employees may receive compensatory time off with pay in lieu of overtime pay for work in excess of regular scheduled hours. Accumulation of unused compensatory time is limited, and any unused or unpaid portion is payable upon separation from employment. Compensatory time is accrued when incurred in the government-wide and proprietary funds financial statements. There was no current portion of compensatory time recorded in the governmental fund statement at September 30, 2017.

At September 30, 2017 the total liability reported on the Statement of Net Position for accrued vacation, sick and compensatory time was \$3,969,831 for Governmental Activities, which includes \$129,280 from the Internal Service Funds. The amount recorded in Business-Type Activities equaled \$596,650.

### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. It has deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The \$1,605,903 balance of deferred outflows of resources related to bond refunding will be recognized as interest expense over the remaining life of the bonds. The City also has deferred outflow of resources related to net pension liability of \$15,609,101.

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has reported deferred inflows related to the net pensions liability in the amount of \$3,027,868.

Additional information on deferred outflows/inflows of resources related to defined benefit pension plans can be found in Note 5.

### **8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund 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.

## NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize principal payments during the current period. The face amount of debt issued is reported as other financing sources.

### 9. Fund Equity

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City of Lake Charles classifies governmental fund balances as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained or due to constitutional provisions or enabling legislation. Any deviation from the specific purpose must be approved by the original third party whether that is the electorate or grantor.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority (the City Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment. A separate city ordinance adopted by the City Council is required to modify a previous commitment of fund balance.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by action of the Mayor, an ordinance of the City Council, or adoption of the budget and generally only exists temporarily. A similar action or amendment is necessary to remove or revise the limitation.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and when applicable, negative fund balances in other governmental funds.

All of these items are included as elements of net position on the government-wide statement.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

It is the City's policy to maintain a minimum fund balance of 30 percent of operating expenditures and operating transfers in the General Fund.

## 2. Reconciliation of Government-Wide Financial Statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance of total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains “long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$147,411,983 difference are as follows:

# NOTES TO FINANCIAL STATEMENTS

2009 Revenue Refunding Bonds payable	\$ 6,600,000
Premium on 2009 LCDA Bonds payable (to be amortized over the life of the debt)	156,812
2010 LCDA Bonds payable	6,685,000
Premium on 2010 LCDA Bonds payable (to be amortized over the life of the debt)	259,273
2014 LCDA Refunding Bonds payable	15,430,000
Premium on 2014 LCDA Refunding Bonds payable (to be amortized over the life of the debt)	714,643
2017 LCDA Refunding Bonds payable	24,140,000
Premium on 2017 LCDA Refunding Bonds payable (to be amortized over the life of the debt)	3,687,728
Cooperative endeavor-Sales Tax Dist. No. 3	964,492
Compensated absences	3,840,551
Other post employee benefits (OPEB) payable	2,208,539
Net pension liability	62,806,762
LC City Court building project	2,360,000
DEQ loan -- sewer plant rehabilitation	17,558,183
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 147,411,983</u>

Deferred outflows and inflows of resources are not available to pay current period expenditures, therefore are not reported in the governmental funds. The details of this \$12,722,079 difference are as follows:

Deferred outflows on charges on bond refunds	\$ 1,605,903
Deferred outflows of resources - related to net pension liability	14,043,739
Deferred inflows of resources - related to net pension liability	<u>(2,927,563)</u>
Net adjustment to increase fund balance to arrive at net position - governmental activities	<u>\$ 12,722,079</u>

## **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of the \$32,965,527 are as follows:

Capital outlays	\$ 48,927,364
Depreciation expense	(15,912,741)
Loss on retirement of capital assets	<u>(49,096)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 32,965,527</u>

## NOTES TO FINANCIAL STATEMENTS

Another element of that reconciliation states that, "The issuance of long-term debt 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." The details of this \$(2,341,702) are as follows:

Principal repayment:	
2007 LCDA public improvement bonds	\$ 7,530,000
2009 Revenue refunding bonds	1,500,000
2010 LCDA public improvement bonds	21,760,000
2014 LCDA public improvement refunding bonds	175,000
2017 LCDA public improvement refunding bonds	(24,140,000)
Compensated absences	(32,586)
OPEB liabilities	(6,110)
Cooperative endeavor - Sales Tax Dist. No. 3	350,000
Proceeds from premium on 2007 LCDA public improvement bonds (to be amortized as interest over the life of the debt)	224,559
Proceeds from premium on 2009 Revenue refunding bonds (to be amortized as interest over the life of the debt)	39,203
Proceeds from premium on 2010 Revenue refunding bonds (to be amortized as interest over the life of the debt)	810,182
Proceeds from premium on 2014 public improvement refunding bonds (to be amortized as interest over the life of the debt)	69,721
Proceeds from premium on 2017 public improvement refunding bonds (to be amortized as interest over the life of the debt)	(3,687,728)
Lake Charles City Court building loan	115,000
DEQ loan - sewer plant improvements	(7,048,943)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,341,702)</u>

### C. Explanation of certain differences between the proprietary fund statement of net position and the governmental-wide statement of net position:

The proprietary fund statements of net position include reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the governmental-wide statements of net position. The description of the sole element of that reconciliation is "adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$(202,224) are as follows:

Internal payable representing costs in excess of charges to the business-type activities - prior year	\$ (878,223)
Internal payable representing costs in excess of charges to the business-type activities - current year	<u>675,999</u>
Net adjustment to decrease net position - enterprise funds to arrive at net position - business-type activities	<u>\$ (202,224)</u>

## NOTES TO FINANCIAL STATEMENTS

### 3. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The City annually adopts and implements an operating and capital budget in accordance with requirements of the City Charter and applicable state law for the General Fund and all Special Revenue and Proprietary Funds. The Capital Projects Fund's budget is a project-based capital budget. Policies and procedures with respect to budget adoption and budgetary control are as follows:

1. The Mayor submits the proposed operating budget for the fiscal year commencing October 1 to the City Council no later than August 15. This budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget and notices of public hearing is published in accordance with statutory requirements.
3. The proposed budget is subject to one or more public hearings before the City Council prior to adoption by ordinance, which must occur no later than September 15. The City Charter requires a two-thirds vote of the City Council to amend the proposed budget submitted by the Mayor.
4. Expenditures are legally restricted to budgetary appropriations at the department level within the General Fund and at the fund level for Special Revenue Funds, which are not departmentalized. Revisions, which alter the total expenditures of any such department or fund, must be approved by budget amendment ordinance adopted by the City Council at the request of the Mayor. Transfers of budgeted amounts between expenditure objects or programs within the same department and fund are authorized to be made administratively by the Director of Finance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Capital Projects Fund, which is budgeted on a project basis. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through the respective bond indentures and provisions.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Comparisons of budgeted and actual results of operation are presented for the General Fund and Special Revenue Funds in the accompanying financial statements. The Capital Projects Fund is not included in this budget, and actual comparison, as the capital budget which encompasses that fund, is presented on the basis of cumulative as opposed to annual budget amounts.
7. All budgetary appropriations, except capital project budgets, lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted or as amended by the City Council. The originally adopted General Fund expenditure budget of \$67,446,260 did not need to be amended during the fiscal year.

The originally adopted amount of all Special Revenue Funds was \$41,957,304. Amendments reduced the budget by \$2,405,284 and resulted in the final total Special Revenue Fund budget of \$39,552,020. An annual amendment is necessary in response to grant awards compared to actual expenditures within the fiscal year.

## NOTES TO FINANCIAL STATEMENTS

### B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

In accordance with generally accepted accounting principles, outstanding encumbrances at year end for which goods or services have been received are reclassified to expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year end and are either canceled or are included as re-appropriations of fund balance for the subsequent year. Encumbrances at year end in funds that are budgeted on a project basis, including Enterprise Fund construction projects, are carried forward along with their related appropriations and are not subject to an annual cancellation and re-appropriation. Such balances are classified as committed fund balance in the Capital Project Fund. Significant project encumbrances are included in the "construction commitments" section of the capital asset note disclosure on page 64. The total amount reserved for encumbrances in all funds at fiscal year ended September 30, 2017 are as follows:

Major Funds:	
Capital Projects	\$ 9,645,210
Proprietary Funds:	
Civic Center	199,685
Mallard Cove	926
Water Utility	2,008,409
Total Proprietary Funds	2,209,020
Total Reserved for Encumbrances	
Fiscal Year ended September 30, 2017	\$ 11,854,230

### C. Excess of Expenditures Over Appropriations and Deficit Fund Equity

There was no deficit fund equity in any fund at fiscal year ended September 30, 2017.

### D. Unfavorable Revenue Variance

The charges for services revenue of the Wastewater Special Revenue Fund were below budget and resulted in total revenues of \$17,593,930 which was \$49,570 less than the \$17,643,500 budgeted amount. These funds were down slightly from projected figures. The revenue of the Grant Special Revenue Fund was \$976,256, which was \$35,368 less than budgeted. The revenue of the Disaster Recovery Special Revenue Fund was \$645,922 which was \$6,282 less than the \$652,204 budgeted amount. The revenue of the Community Development Special Revenue Fund was \$620,122 which was \$12,830 less than the \$632,952 budgeted amount. These unfavorable variances in these special revenue funds are attributable to variances in grant program revenues, which are budgeted on the basis of grant awards but actual revenues received are based on annual expenditure reimbursements in those funds. None of the variances were large enough to require an amendment to those budgets.

## NOTES TO FINANCIAL STATEMENTS

### 4. Detailed Notes on All Funds

#### A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet within "cash and investments" or "restricted cash and investments" where applicable. Legal and contractual provisions with respect to deposits and investments are substantially the same for all funds and fund types.

Demand deposits of the City are maintained under a banking agreement in which account balances are collateralized entirely by U.S. Treasury and government agency securities held by a Federal Reserve Bank in the City's name. The bank balance of such deposits at September 30, 2017 was \$68,193,311 (carrying amount \$63,692,069).

The total includes restricted cash in the amount of \$1,586,934 from customer deposits in the Water Utility Enterprise Fund. The amounts do not include petty cash of \$24,275 or \$4,009,580 that is on deposit with a third party for bond reserves and the administration of the City's insurance claims.

The carrying amounts of cash deposits for component units at their respective balance sheet dates were \$982,690 for City Court and \$624,962 for the Ward Three Marshal. These amounts were fully covered by federal deposit insurance or were collateralized entirely by U.S. Treasury and government agency securities held by a Federal Reserve Bank in the entity's name.

#### Fair Value Reporting - Investments

Investments are stated at fair value and are categorized within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are those included within Level 1 that are either directly or indirectly observable; Level 3 inputs are unobservable inputs. The City utilizes the market based approach for determining the fair value of investments which uses prices and other relevant information generated by market transactions involving identical or comparable assets. Louisiana Asset Management Pool (LAMP) is excluded from fair value assessment. As of September 30, 2017 the City had the following investments and maturities:

Investment type	Maturity	Fair Value/ Net Asset Value
U.S. agencies non-callable	Less than 1 year	\$ 12,639,310
Federal Home Loan Mortgage Corporation (Level 2)		11,345,182
Federal National Mortgage Association (Level 2)		114,945
United States Treasury Bonds (Level 1)		1,179,183
U.S. agencies callable	1 - 5 year	56,493,198
Federal Farm Credit Bank (Level 2)		15,877,040
Federal Home Loan Mortgage Corporation (Level 2)		21,787,038
Federal National Mortgage Association (Level 2)		18,829,120
Louisiana Asset Management Pool (Net Asset Value)		45,783,840
		<u>\$ 114,916,348</u>

## NOTES TO FINANCIAL STATEMENTS

### Credit Risk – Investments

The City's investment program is authorized and limited by state statute and city policy to purchases of securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities and participation in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit local government money-market type (2a-7-like) investment pool sponsored by the State of Louisiana. This pool is rated "AAA" by Standard & Poor's. Security investments are carried at fair value; investment in LAMP is carried at cost, which approximates market. With the exception of LAMP, all of the City's investments are held in the City's name by its custodial bank. The City's investment policy does not specifically limit investment maturities, except for a general requirement that funds used for operation be invested within a three-year final maturity range. This policy assumes that callable investments will not be called. The City's investment policy states that financial or credit risk, as distinguished from market risk, is not acceptable for any investment in either short or long term investment categories.

The City does not directly invest in commercial paper, which is permitted by state statute. However, such investments are made by LAMP, which are subject to concentration and maturity limitations of its investments policy.

The City's investments in U.S. Agency Securities were primarily rated "AAA" by Standard and Poor's and Fitch Ratings and "Aaa" by Moody's Investors Services. The City's investment policy does not specifically limit concentration with individual issuers. The policy states that financial or credit risk, as distinguished from market risk, is not acceptable for any investment in either short or long term investment categories.

### Interest Rate Risk – Investments

The City's policy on investments places primary order of emphasis on 1) the safety of principal; 2) the liquidity of the investment, in order to enable the City to meet reasonably expected operating and capital funding requirements; and 3) the yield or return on investment.

### Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment. Investments are exposed to custodial credit risk if the securities are (a) uninsured and unregistered and held by the counterparty; or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the City.

According to the City's investment policy for investment purchases, the fiscal agent bank merely executes the necessary wire-transfer services to support the City's investment transactions and is therefore not a counterpart to the investment transactions. As such, these investments are not subject to custodial credit risk since the fiscal agent bank is not a party to the original investment purchases and is only holding the book-entry securities in a securities safekeeping account in the name of the City of Lake Charles.

## **B. Receivables**

Receivables as of year-end for the City of Lake Charles's individual major funds and non-major and internal service funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

NOTES TO FINANCIAL STATEMENTS

<b>Governmental-type Activities</b>	<b>General</b>	<b>Riverboat Gaming</b>	<b>Wastewater</b>	<b>Debt Service</b>
Receivables:				
Accounts	\$ 3,825,327	\$ -	\$ 2,101,165	\$ -
Taxes	4,225,209	1,140,932	350,059	-
Property standards & special assessment	-	-	-	-
Interest	9,947	-	-	-
Intergovernmental	60,854	-	-	115,445
Gross receivables	8,121,337	1,140,932	2,451,224	115,445
Less: allowance for uncollectable	(1,189,082)	-	(474,745)	-
Net total receivables	\$ 6,932,255	\$ 1,140,932	\$ 1,976,479	\$ 115,445

<b>Governmental-type Activities (continued)</b>	<b>Capital Projects</b>	<b>Non-major Funds</b>	<b>Internal Service</b>	<b>Total Governmental Activities</b>
Receivables:				
Accounts	\$ 612,603	\$ 9,375	\$ 1,023,066	\$ 7,571,536
Taxes		311,913		6,028,113
Property standards & special assessment	196,865	-	-	196,865
Interest	104,872	-	30,716	145,535
Intergovernmental	531,532	1,672,266		2,380,097
Gross receivables	1,445,872	1,993,554	1,053,782	16,322,146
Less: allowance for uncollectable	-	(1,017,288)	-	(2,681,115)
Net total receivables	\$ 1,445,872	\$ 976,266	\$ 1,053,782	\$ 13,641,031

Receivables as of year-end for the City of Lake Charles's individual enterprise funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

<b>Business-type Activities</b>	<b>Civic Center</b>	<b>Golf Course</b>	<b>Public Transit</b>	<b>Water</b>	<b>Total Business- Type Activities</b>	<b>Total Government</b>
Receivables:						
Accounts	\$ 20,423	\$ 253	\$ -	\$ 1,657,722	\$ 1,678,398	\$ 9,249,934
Taxes	-	-	-	-	-	6,028,113
Property standards & special assessment	-	-	-	-	-	196,865
Interest	2,104			25,966	28,070	173,605
Intergovernmental	-	-	785,067	-	785,067	3,165,164
Gross receivables	22,527	253	785,067	1,683,688	2,491,535	18,813,681
Less: allowance for uncollectable	-	-	-	(476,089)	(476,089)	(3,157,204)
Net total receivables	\$ 22,527	\$ 253	\$ 785,067	\$ 1,207,599	\$ 2,015,446	\$ 15,656,477

## NOTES TO FINANCIAL STATEMENTS

Intergovernmental receivables consisted of the following, net of uncollectable allowance of \$1,017,288:

<b>Governmental-type activity:</b>	
Calcasieu Parish Policy Jury	\$ 58,605
Calcasieu Parish District Attorney	3,102
Lake Charles City Court	115,445
U.S. Department of Justice	11,410
Community Development Grant	165,514
LA Department of Treasury	10,950
LA State Facility Planning & Control	497,375
LA Commission on Law Enforcement and Admin. Of Criminal Justice Grant	16,234
LA Department of Military Affairs	445,710
LA Department of Health and Hospitals	250
Housing and Urban Development Emergency Solutions Grant	38,214
Total Government-type activities	<u>1,362,809</u>
<b>Business-type activity:</b>	
LA Department of Transportation	785,067
Total Business-type activities	<u>785,067</u>
Total Primary government	<u><u>\$ 2,147,876</u></u>

# NOTES TO FINANCIAL STATEMENTS

## C. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

### Primary Government

Governmental Activities:

Asset	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets - not being depreciated:				
Land	\$ 16,180,010	\$ -	\$ -	\$ 16,180,010
Construction in progress	33,326,304	38,826,798	(11,254,263)	60,898,839
Total capital assets - not being depreciated	49,506,314	38,826,798	(11,254,263)	77,078,849
Capital assets - being depreciated:				
Buildings	54,333,362	1,319,608	-	55,652,970
Improvements	71,619,524	425,271	-	72,044,795
Machinery & Equipment	36,497,063	3,972,100	(2,209,132)	38,260,031
Infrastructure	331,952,735	15,637,853	-	347,590,588
Total capital assets - being depreciated	494,402,684	21,354,832	(2,209,132)	513,548,384
Less accumulated depreciation for:				
Buildings	(25,374,368)	(2,304,132)	-	(27,678,500)
Improvements	(31,448,813)	(2,953,378)	-	(34,402,191)
Machinery & Equipment	(24,482,188)	(3,044,202)	2,160,036	(25,366,354)
Infrastructure	(123,944,944)	(7,615,088)	-	(131,560,032)
Total accumulated depreciation	(205,250,313)	(15,916,800)	2,160,036	(219,007,077)
Total capital assets - being depreciated, net	289,152,371	5,438,032	(49,096)	294,541,307
Governmental activities capital assets, net	\$ 338,658,685	\$ 44,264,830	\$ (11,303,359)	\$ 371,620,156

The assets of the Internal Service Funds are included in the table for assets related to governmental-type activities. Total assets are \$35,257 with accumulated depreciation of \$26,801. Remaining value of assets at September 30, 2017 equaled \$8,456; and this total is included in the net asset statement for the Governmental-type activities.

# NOTES TO FINANCIAL STATEMENTS

## Business-type activities:

Asset	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets - not being depreciated:				
Land	\$ 2,104,506	\$ -	\$ -	\$ 2,104,506
Construction in progress	1,938,584	2,591,147	(1,789,767)	2,739,964
Total capital assets - not being depreciated	4,043,090	2,591,147	(1,789,767)	4,844,470
Capital assets - being depreciated:				
Buildings	25,881,046	-	-	25,881,046
Improvements	97,385,489	2,968,570	-	100,354,059
Machinery & Equipment	9,613,577	485,535	(343,751)	9,755,361
Total capital assets - being depreciated	132,880,112	3,454,105	(343,751)	135,990,466
Less accumulated depreciation for:				
Buildings	(19,886,801)	(240,786)	-	(20,127,587)
Improvements	(42,429,219)	(2,576,316)	-	(45,005,535)
Machinery & Equipment	(5,985,545)	(844,323)	329,942	(6,499,926)
Total accumulated depreciation	(68,301,565)	(3,661,425)	329,942	(71,633,048)
Total capital assets, being depreciated, net	64,578,547	(207,320)	(13,809)	64,357,418
Business-type activities capital assets, net	\$ 68,621,637	\$ 2,383,827	\$ (1,803,576)	\$ 69,201,888

Depreciation expense was charged to functions / programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 268,974
Public safety	1,810,603
Public works	11,862,879
Planning and development	30,703
General services	373,090
Community services	1,566,492
Capital assets held by the government's internal service funds are charges to the various functions based on their usage of the assets	4,059
Total depreciation expense - governmental activities	<u>\$ 15,916,800</u>
<b>Business-type activities:</b>	
Civic Center	\$ 1,262,761
Golf Course	237,566
Transit	465,823
Water	1,695,275
Total depreciation expense - business-type activities	<u>\$ 3,661,425</u>

NOTES TO FINANCIAL STATEMENTS

**D. Discretely Presented Component Units**

Capital asset activity for the year ended December 31, 2016 was as follows for City Court:

<b>Governmental activities</b>	<b>Balance 1/01/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Governmental activities:				
Equipment	\$ 193,555	\$ -	\$ (11,450)	\$ 182,105
Furniture and fixtures	45,437	-	-	45,437
Total at historical cost	238,992	-	(11,450)	227,542
Less accumulated depreciation:				
Equipment	(49,461)	(6,753)	11,079	(45,135)
Furniture and fixtures	(15,652)	(3,661)	-	(19,313)
Total accumulated depreciation	(65,113)	(10,414)	11,079	(64,448)
Governmental activities capital assets, net	\$ 173,879	\$ (10,414)	\$ (371)	\$ 163,094

Capital asset activity for the year ended December 31, 2016 was as follows for City Marshal:

<b>Governmental activities</b>	<b>Balance 1/01/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Governmental activities:				
Automobiles & equipment	\$ 621,842	\$ 86,165	\$ (84,683)	\$ 623,324
Furniture and fixtures	13,763	-	-	13,763
Buildings & improvements	42,268	-	-	42,268
Totals at historical cost	677,873	86,165	(84,683)	679,355
Less accumulated depreciation:				
Equipment	(512,887)	(54,033)	84,683	(482,237)
Furniture and fixtures	(5,887)	(1,966)	-	(7,853)
Buildings & improvements	(2,078)	(1,057)	-	(3,135)
Total accumulated depreciation	(520,852)	(57,056)	84,683	(493,225)
Governmental activities capital assets, net	\$ 157,021	\$ 29,109	\$ -	\$ 186,130

# NOTES TO FINANCIAL STATEMENTS

## E. Construction Commitments

The City had total commitments of \$10,379,585 with contractors for unfinished construction projects as of September 30, 2017 categorized as follows:

Project type	Expended to date	Remaining commitment
Streets and storm drainage	\$ 2,650,018	\$ 3,073,033
Waterlines	88,219	36,109
Water Facilities	1,165,345	1,564,655
Sanitary sewer rehabilitation	3,163,736	2,867,221
Wastewater facilities	41,251,927	2,169,785
Recreation / community facilities	170,624	354,171
Transit Facility	-	114,000
Mallard Cove Golf Course	128,758	926
Civic Center Improvements	198,315	199,685
Total	\$ 48,816,942	\$ 10,379,585

All remaining commitments are financed from City revenues previously received.

## F. Inter-fund Receivables, Payables and Transfers

The composition of inter-fund balances as of September 30, 2017 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course	\$ 193,150
	Civic Center Fund	286,703
	Waste Water Fund	369,567
	Water Fund	398,082
	Non-major Governmental Funds	172,284
	Risk Management Fund	18
	Transit Fund	512,181
	General Fund	23,231
Debt Service Fund	General Fund	1,325,000
Capital Projects Fund	Riverboat Fund	2,650,000
Non-Major Governmental Funds	General Fund	43,092
	Riverboat Fund	113,878
	Non-Major Governmental Funds	550
Civic Center Fund	Disaster Recovery Fund	290
Transit Fund	Waste Water Fund	60
	Non-major Governmental Funds	30
	Water Fund	15
Total		\$ 6,088,130

# NOTES TO FINANCIAL STATEMENTS

## Inter-fund Transfers:

<b>Transfer out:</b>	<b>General Fund</b>	<b>Riverboat Fund</b>	<b>Wastewater Fund</b>	<b>Capital Project Fund</b>	<b>Other Special Revenue Funds</b>
<b>Transfer in:</b>					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	260,637	3,449,339	3,320,000	2,068,381	-
Capital Projects	2,825,000	6,650,000	3,500,000	-	2,468,000
Non-major Governmental	998,517	718,753	-	-	-
Civic Center	639,668	200,000	-	-	-
Golf Course	428,396	-	-	-	-
Transit	1,023,303	44,212	-	250,000	-
Water	350,326	-	-	-	-
Waste Water	357,141	-	-	-	-
<b>Total</b>	<b>\$ 6,882,988</b>	<b>\$ 11,062,304</b>	<b>\$ 6,820,000</b>	<b>\$ 2,318,381</b>	<b>\$ 2,468,000</b>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due. Unrestricted general fund revenues are transferred to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and proprietary fund operations.

Amounts recorded in the Capital Project Fund to the Water Fund are a transfer of capital assets that were paid for with bond proceeds and then transferred to the Proprietary Funds where they are recorded as capital contributions from the governmental funds. Excess reserves in the Employee Insurance Internal Service Fund were transferred to the General Fund to offset health insurance costs.

# NOTES TO FINANCIAL STATEMENTS

## G. Long-Term Debt

Bonds payable as of September 30, 2017 are comprised of the following individual issues and are entirely related to governmental activities:

\$ 17,735,000 2009 Revenue Refunding Bonds - LCDA Original issue was for construction of sewer treatment facility due in amounts of \$1,270,000 to \$1,750,000 through 2021; interest rates of 2% to 4%. \$ 6,600,000

\$ 39,280,000 2010 Fixed Rate Revenue Bonds - LCDA for City of Lake Charles Public Improvement Projects (roads, utilities, downtown/lakefront development, economic development and parks) due in annual amounts of \$1,575,000 to \$3,200,000 through 2027; interest rates of 2% to 4.125%. 6,685,000

\$ 15,825,000 2014 Fixed Rate Revenue Refunding Bonds - LCDA Original issue was for City of Lake Charles Public Improvement Projects (roads, utilities, downtown/lakefront development, economic development and parks) due in annual amounts of \$50,000 to \$2,450,000 through 2027; interest rates of 2% to 5%. 15,430,000

\$ 24,140,000 2017 Fixed Rate Revenue Refunding Bonds - LCDA Original issue was for City of Lake Charles Public Improvement Projects (roads, utilities, downtown/lakefront development, economic development and parks) due in the annual amounts of \$1,715,000 to \$3,050,000 through 2027; interest rates of 4% to 5%. 24,140,000

Total bonds payable \$ 52,855,000

The Revenue Bonds are subject to arbitrage rules. An arbitrage rebate in the amount of \$493,061 was paid in fiscal year 2012 for the 2007 bond issue. Additional calculations will be done in the future as required.

Annual debt service requirements to maturity of the bonds are as follows:

Governmental Activities			
Year ending September 30:	Principal	Interest	Total
2018	\$ 5,410,000	\$ 2,181,230	\$ 7,591,230
2019	5,635,000	2,025,956	7,660,956
2020	5,875,000	1,785,425	7,660,425
2021	6,145,000	1,528,925	7,673,925
2022	4,410,000	1,284,825	5,694,825
2023	4,760,000	1,088,075	5,848,075
2024	4,840,000	853,575	5,693,575
2025	5,055,000	634,400	5,689,400
2026	5,255,000	439,650	5,694,650
2027	5,470,000	224,500	5,694,500
Total	\$ 52,855,000	\$ 12,046,561	\$ 64,901,561

# NOTES TO FINANCIAL STATEMENTS

## Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Balance 10/01/2016	Additions	Reductions	Balance 9/30/2017	Due within one year
<b>Governmental activities:</b>					
<b>Bonds payable:</b>					
Revenue Bonds LC Public Imp 2007	\$ 7,530,000	\$ -	\$ (7,530,000)	\$ -	-
Deferred amount of revenue bonds	224,559	-	(224,559)	-	-
Revenue Refunding Bonds	8,100,000	-	(1,500,000)	6,600,000	1,555,000
Deferred amount of revenue bonds	196,016	-	(39,203)	156,813	39,203
Revenue Bonds LC Public Imp 2010	28,445,000	-	(21,760,000)	6,685,000	2,135,000
Deferred amount of revenue bonds	1,069,455	-	(810,182)	259,273	25,927
Revenue Refunding Bonds					
LC Public Imp 2014	15,605,000	-	(175,000)	15,430,000	1,720,000
Deferred amount of revenue bonds	784,364	-	(69,721)	714,643	69,721
Revenue Refunding Bonds					
Public Imp 2017	-	24,140,000	-	24,140,000	-
Deferred amount of revenue bonds	-	3,687,728	-	3,687,728	368,773
Total bonds payable	61,954,394	27,827,728	(32,108,665)	57,673,457	5,913,624
Compensated absences	3,916,031	470,976	(417,176)	3,969,831	200,000
Other post-employment benefits	2,224,708	238,876	(233,498)	2,230,086	-
Net pension liability	64,120,707	7,389,862	(8,224,344)	63,286,225	-
Lake Charles City Court building loan	2,475,000	-	(115,000)	2,360,000	125,000
DEQ loan	10,509,239	8,012,944	(964,000)	17,558,183	1,005,000
Cooperative endeavor - Sales Tax Dist. 3	1,314,492	-	(350,000)	964,492	350,000
Long-term liabilities	\$ 146,514,571	\$ 43,940,386	\$ (42,412,683)	\$ 148,042,274	\$ 7,593,624
<b>Business-type activities:</b>					
Compensated absences	\$ 563,597	\$ 134,630	\$ (101,577)	\$ 596,650	\$ 5,000
Other post-employment benefits	284,492	31,390	(34,182)	281,700	-
Net pension liability	4,071,544	1,151,485	(602,561)	4,620,468	-
Long-term liabilities	\$ 4,919,633	\$ 1,317,505	\$ (738,320)	\$ 5,498,818	\$ 5,000

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$129,280 of internal service compensated absences; \$21,547 OPEB liabilities and \$479,463 in Net Pension liabilities are included in the above statement.

## NOTES TO FINANCIAL STATEMENTS

In the current year compensated absences were paid from the following governmental funds:

General Fund	Wastewater Fund	Other Special Revenue Funds
\$ 393,531	\$ 9,683	\$ 13,443

In the current and prior years, other post-employment benefits and net pension liabilities are paid primarily from the General Fund.

### Refunding of Bonds

On May 24, 2017 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) authorized on the behalf of the City of Lake Charles the issue of \$24,140,000 in Revenue Refunding Bonds, Series 2017. The proceeds of the bonds will be used by the City for the purpose of 1) current refunding portions of the Authority's \$34,380,000 Revenue Bonds Series 2007 maturing May 1, 2020; May 1, 2021; and May 1, 2023; 2) advance refunding portions of the Authority's \$39,280,000 Revenue Bonds Series 2010 maturing May 1, 2021; May 1, 2022; May 1, 2023; May 1, 2024; May 1, 2025; May 1, 2026 and May 1, 2027; (collectively, the "Revenue Refunding Bonds Series 2017) and 3) paying the cost of issuance of the Series 2017 bonds. The Bonds mature on May 1 of each year beginning 2020 through 2027 with interest of 4% to 5%. The reacquisition price exceeded the net carrying amount of the old debt by \$774,962. This amount is being reported as a deferred outflow of resources and amortized over the life of the new debt, which is the same as the old debt. Amortization for 2017 was \$77,496. The amount includes \$908,437 from the 2014 Revenue Refunding Bonds.

As a result of the refunding, the cash flow difference between the old debt service and new debt service amounted to \$1,390,876. The present value difference between the old debt service cash flows and new debt service cash flows amounted to an economic gain of \$1,220,207. The City recognized a reoffering premium on refunding of \$3,687,728 related to these bonds and is the deferred amount shown as of September 30, 2017.

### Defeasance of Debt

The City of Lake Charles defeased certain revenue bonds by placing the proceeds of the new bond in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2017, \$19,720,000 of outstanding bonds refunded during the current fiscal year are considered defeased.

## 5. Other Information

### A. Risk Management

As of July 1, 1986 the City became self-insured with regard to workmen's compensation, auto liability, general liability, and a portion of police professional liability risk. The Risk Management Fund was established as an internal service fund at that date to account for all claims, expenses and administrative costs related to these self-insured and retained risks. The fund uses a third-party administrator to service and estimate claim losses, and uses both in-house legal staff and outside counsel for defense of self-insured claims. Excess risk or stop-loss coverages are used to limit retained risk where feasible, and the cost of such coverages is also paid through the Risk Management Fund.

## NOTES TO FINANCIAL STATEMENTS

As an internal service activity, the Risk Management Fund is a proprietary fund in which both current and long-term liabilities for claims and losses are recognized and reported when the liability is incurred. Financial resources are provided to the fund primarily through internal service charges that are distributed among other departments and funds in proportion to estimated risk and prior loss experience. A portion of the fund's accumulated resources is designated for catastrophic losses as provided by authorizing ordinance. Any remaining fund equity is reserved for subsequent workmen's compensation and liability claims on an aggregate basis.

The Risk Management Fund also accounts for payment of hazard insurance premiums and third-party claims administration services under a comprehensive risk limitation and insurance program. Under this program, the City's retained risk for all auto liability and general liability is generally limited to a maximum of \$500,000 per claim or loss. The City's self-insured retention for workmen's compensation is \$550,000 for all employees.

Total net position at September 30, 2017 was \$11,942,407. Specific ordinance authorization is required of any claim in excess of \$100,000 or for any reduction or use of the amount designated for catastrophic losses. However, all estimable claims are accrued as current or long-term liabilities when incurred, without regard to the level of authorization required for payment.

The City established a self-insurance program for employee health benefits as of January 1, 1993 and accounts for this program through a separate internal service fund. Total net position of that fund at September 30, 2017 was \$7,746,201. The amount of risk retained by the fund during 2017 was limited to \$135,000 per claimant through use of purchased stop-loss coverage.

Changes in the balances of claims liabilities during the past year are as follows:

	<b>Risk Management</b>	<b>Employee Insurance</b>	<b>Totals</b>
Unpaid claims, beginning of fiscal year 2016:	\$ 6,679,108	\$ 1,700,000	\$ 8,379,108
Incurred and adjusted claims	3,798,300	6,523,406	10,321,706
Claim payments	(3,488,933)	(6,473,406)	(9,962,339)
Unpaid claims, beginning of fiscal year 2017:	6,988,475	1,750,000	8,738,475
Incurred and adjusted claims	2,552,462	6,080,311	8,632,773
Claim payments	(2,997,919)	(6,180,311)	(9,178,230)
Total unpaid claims September 30, 2017:			
Current claims due within one year	5,194,198	1,650,000	6,844,198
Long-term claims due one year or more	1,348,820	-	1,348,820
Total unpaid claims September 30, 2017:	\$ 6,543,018	\$ 1,650,000	\$ 8,193,018

## NOTES TO FINANCIAL STATEMENTS

### B. Property Tax

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Calcasieu Parish Tax Assessor and approved by the State of Louisiana Tax Commission. All millages except the General Alimony tax were reauthorized in 2006 for an additional 10 years. The distribution of the City's levy (tax rate per \$1,000 assessed value) to its funds was as follows for 2017 and 2016:

Tax	Fiscal year 2017	Fiscal year 2016
General Alimony	6.02	6.07
Special recreation	1.69	1.70
Employee salary	5.23	5.27
Special street improvement	2.29	2.31
Total Millage	15.23	15.35

### C. Contingencies and Commitments

The City has a number of outstanding contracts, the breach of any, of which could result in a liability to the City. The amount of the liability to the City at September 30, 2017, if any, is not estimable.

### D. Joint Service Agreements

The City of Lake Charles and the Calcasieu Parish Police Jury entered into a joint service agreement, with an effective date of January 1, 2010, regarding operational responsibility for a consolidated animal services and shelter program. The term of the agreement was for the calendar year 2010 through 2012, with an optional renewal period of three years. The City agreed to fund one-half of the operating budget, after the reduction for self-generated revenue and other specified grant revenue. The fifty percent amount is based on the average service call breakdown between the City and the Parish. The 2017 payment was \$424,208.

The City of Lake Charles and the Calcasieu Parish Police Jury are statutorily required to fund the operations of the Ward Three Court and Marshal's Office. The Parish paid the City \$229,210 in 2017 under this agreement.

On July 20, 2004, the City and the Calcasieu Parish Police Jury entered into a joint services agreement regarding the management of Fire Protection District 2 of Ward 3. In that agreement, the Parish dissolved the existing board of directors and assumed that responsibility. The City of Lake Charles assumed the day-to-day management of those operations, which would be inclusive of any budgetary, decision-making requirements. The Parish would continue to collect the property tax revenue on behalf of the District while paying the City for their management services. The ownership of the District's assets would not be transferred under this joint services agreement, and any costs associated with major improvements or capital expenditures would remain the responsibility of the District. The fee for the management services provided is the full amount of the property tax collections and the state revenue sharing collections paid to the District. In 2017, the Parish remitted \$2,215,059 to the City. The activity of this District is presented as a blended component unit of the Parish since the Police Jury's and the District's governing board are the same.

## NOTES TO FINANCIAL STATEMENTS

### **E. Gaming Activity and Agreements**

In 2007, the City of Lake Charles and the Calcasieu Parish Police Jury entered into a cooperative endeavor agreement thereby creating the Calcasieu Parish Gaming Revenue District which is responsible for collecting fees and assessments related to gaming activity conducted within the boundaries of the Parish and the City of Lake Charles and then distributing those collections to participating entities. The entities eligible for participation in this distribution are currently the Parish, the City of Lake Charles, the City of Sulphur, the City of Dequincy, the Town of Vinton, the Town of Iowa and the Town of Westlake. Specifically excluded from the definition of gaming revenues to be collected by the new district is the annual cash payment received by the Parish from the Isle of Capri. The City received \$10,657,944 during fiscal year 2017 as a result of this agreement.

### **F. Other Postemployment Benefits Other than Pensions (OPEB)**

For the fiscal year ended September 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses the fact that certain postemployment benefits other than pensions, which for the City consists of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future, upon retirement, and whose costs will be borne by the City in the future. This statement attempts to quantify the future "retirement" costs that have been earned by the employee during his active years of employment. The City will finance the postemployment benefits on a "pay-as-you-go" basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of our current employees once they retire, not just the liability referred to above that is actually recognized in the statements of net position. The City contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 45 for the fiscal year ended September 30, 2017. GASB Statement No. 45 requires biennially valuations for plans with memberships exceeding 200. The projected unit credit actuarial cost method was used for the September 30, 2008, 2010 and 2014 actuarial valuations. The Projected Unit Cost Method was used for the September 30, 2016 actuarial valuation. The schedule of funding progress is presented immediately following the financial statements as required supplementary information. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Valuation Reports for the City of Lake Charles – GASB 45 Actuarial Valuation – is available at City of Lake Charles, 326 Pujo Street, Lake Charles, LA 70601.

Plan Description: The City OPEB Plan is a single employer defined benefit plan. Employees are eligible for retiree health benefits if they are eligible for a pension from their respective retirement system, and they are enrolled in the City of Lake Charles health plan at the time of retirement. City employees may retire upon attaining 1) age 60 with 10 years of service; or 2) at any age with 30 years of service. Police employees may retire upon attaining 1) age 55 with 12 years of service; or 2) at any age with 20 years of service. Fire employees may retire upon attaining 1) age 55 with 12 years of service; 2) age 50 with 20 years of service; or 3) at any age with 25 years of service. In addition, if an employee becomes disabled under the terms of his retirement system, he shall be eligible for medical benefits. City employees must have 10 years of service at time of disability. Police and fire employees must have 5 years of service at time of disability.

Upon election, spouses and children are eligible for coverage. In the event of death after satisfying the criteria for retirement, but prior to actual retirement, a surviving spouse and dependents are eligible for benefits. Participants over 65 are covered under a retiree-pay-all Medicare Advantage plan.

## NOTES TO FINANCIAL STATEMENTS

The City offers dental and vision benefits to its retirees. However, those benefits are fully insured and retiree-pay-all, so the City has no liability for those benefits. A life benefit of \$10,000 is available at retirement. The current cost of the life insurance is \$7.10 per month and is completely paid by the retirees. Therefore, there is no liability to the City for life insurance benefits.

Funding Policy: The contribution requirements of the retirees and the participating employees are established in the annual operating budget and may be amended in the subsequent year by City management. As stated previously, the required contribution is based on projected pay-as-you-go financing requirements. The employer contribution to the OPEB plan for 2017 was \$169,898. For coverage under the plan prior to age 65, retirees pay the active premium. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2017 consisted of \$585 per month for retiree only and \$1,170 for retiree and dependent coverage. After age 65, retirees may participate in a retiree-pay-all Medicare Advantage plan. Three optional plans are administered by Blue Cross Blue Shield and are completely paid by the retiree. Pharmacy benefits are included. Therefore, there is no post-retirement benefit increase/liability to the City after age 65.

Actuarial Methods and Assumptions: All calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of such valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial valuations for the OPEB plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations of the OPEB plan also reflect a long-term perspective and liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Projections of benefits for financial reporting purposes 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 the plan members. The actuarial cost method and assumptions used for determining the benefit obligation is the Projected Unit Credit Cost Method for the October 1, 2016 actuarial valuations.

Method and Assumptions:

- The Projected Unit Cost Method was the Actuarial Method used for the October 1, 2016 calculation.
- The Service Cost was determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and expected termination.
- The Accumulated Post-Retirement Benefit Obligation is the Actuarial Present Value of Benefits allocated to all periods prior to the valuation year. The assumed Discount Rate was 4% (1% real rate of return plus 3% inflation).
- The Average Per Capital Claim Cost, determined as of October 1, 2016, varied by age: Age 55 Medical cost of \$9,434 up to \$12,310 for age 64.
- Heath Case Cost Trend rate was a level 5.50%.
- Mortality Rate was based on the RPH – 2014 Total Table with Projections MP-2016.
- Salary Increase Rate was assumed to be 3%.
- Turnover Rates for the valuation reports were varying by years of service and whether public service or non-public service employees. Demographic assumptions regarding turnover disability are based on statistics taken from the Municipal Employees' Retirement System of Louisiana (MERSLA) Plan B report and from the Louisiana Municipal Police Employees'

## NOTES TO FINANCIAL STATEMENTS

Retirement System (LAMPERS) valuation. Sample rates for non-public service employees turnover rates, based on year of service: 5 years of service, 10%; 10 years of service, 5%; 20 or more years of service; 2%.

- Disability rates were not assumed.
- Retirement Rates vary by age, with average retirement age of 62. Retirement rates vary between public service and non-public service employees. Rates based on MERSLA – Plan B and LAMPERS report.
- Retiree Contributions are based on 100% of the total monthly premium for active employees.
- Date Assumptions
  - Age Difference / Marital Status: Males are assumed to be 3 years older than females, 50% are married.
  - Coverage: 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 25% of all actives who currently have individual healthcare coverage will continue with the same coverage upon retirement. 18.75% of actives with dependent coverage will continue with individual coverage and 6.25% will continue with dependent coverage.

To determine the future trend rate assumptions, the Actuarial Valuation considered both near-term and long-term expectations of healthcare inflation. The Actuary used GASB accounting methodology to determine the postretirement medical benefit obligations. The Amortization Period used to determine the amortization cost for the initial Unfunded Actuarial Accrued Liability is a level period for 30 years on an open period.

Annual OPEB Cost and Net OPEB Obligation: The City annual OPEB costs were calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the October 1, 2016 actuarial valuation performed by an outside actuary consultant. The following table shows the components of the City's annual OPEB costs for the year and the amount estimated to have been contributed to the plan during the year:

<b>Determination of Net OPEB Obligation</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Annual required contribution (ARC)	\$ 150,165	\$ 19,733	\$ 169,898
Interest on prior year Net OPEB Obligation	88,711	11,657	100,368
Adjustment to ARC	(86,425)	(11,357)	(97,782)
Annual OPEB Cost	152,451	20,033	172,484
City contributions made	(147,073)	(22,825)	(169,898)
Increase in Net OPEB Obligation	5,378	(2,792)	2,586
Net OPEB Obligation – beginning of year	2,224,708	284,492	2,509,200
Net OPEB Obligation – end of year	\$ 2,230,086	\$ 281,700	\$ 2,511,786

Comparable costs and liabilities for fiscal year 2017 are lower than those calculated in the previous valuation for fiscal year 2015. The primary reason is the current per capita medical costs are considerably lower than those used in the previous valuation. The current trend rate assumption and the active election rate for family coverage at retirement are also lower than in the previous valuation.

## NOTES TO FINANCIAL STATEMENTS

Trend Information for OPEB Plan:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$ 642,116	34%	\$ 424,116
9/30/2010	642,116	41%	805,231
9/30/2011	697,183	37%	1,243,413
9/30/2012	697,183	43%	1,642,596
9/30/2013	481,922	55%	1,857,865
9/30/2014	481,922	55%	2,072,490
9/30/2015	465,221	50%	2,305,456
9/30/2016	465,221	56%	2,509,200
9/30/2017	172,484	99%	2,511,786

**Funding Status and Funding Progress:** The following is a Schedule of Funding Status and Funding Progress for the OPEB Plan based on the current actuarial valuation:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/1/2008	0%	\$ 6,063,254	\$ 6,063,254	0%	\$ 23,558,095	25.74%
10/1/2010	0%	6,402,679	6,402,679	0%	23,900,000	26.79%
10/1/2012	0%	4,928,516	4,928,516	0%	25,311,382	19.47%
10/1/2014	0%	4,668,177	4,668,177	0%	26,619,735	17.54%
10/1/2016	0%	2,046,760	2,046,760	0%	31,113,777	6.58%

### G. Retirement Commitments

#### Plan Descriptions

The City participates in four state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees' Retirement System (MERS), Municipal Police Employees' Retirement System (MPERS), Firefighters' Retirement System (FRS) and Louisiana State Employees' Retirement System (LASERS) of the State of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. The City of Lake Charles implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. Additional disclosures with respect to

## NOTES TO FINANCIAL STATEMENTS

GASB 68 to the City's participation in these systems are provided below. The reports for MERS, MPERS, FRS, and LASERS may be obtained at [www.mersla.com](http://www.mersla.com), [www.lampers.org](http://www.lampers.org), [www.lafirefightersret.com](http://www.lafirefightersret.com) and [www.lasersonline.org](http://www.lasersonline.org) respectively. the Municipal Employees' Retirement System (MERS) issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809. The financial report for the Municipal Police Employees' Retirement System (MPERS) may be obtained by writing to that system at 8401 United Plaza Boulevard Suite 270, Baton Rouge, LA 70809-7017. The financial report for the Firefighters' Retirement System (FRS) may be obtained by writing to that system at P.O. Box 94095, Capitol Station, Baton Rouge, LA 70804-9095. The financial report for LASERS may be obtained by writing to that system at 8401 United Plaza Blvd., #100, Baton Rouge, LA 70809.

### Plan Description- MERS

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City of Lake Charles are members of Plan B. 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 full-time elected municipal officials are eligible to participate in MERS.

### Plan Description- MPERS

All full-time police department employees engaged in law enforcement are required to participate in MPERS providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

### Plan Description- FRS

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

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

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment.

No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System.

## NOTES TO FINANCIAL STATEMENTS

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

### Plan Description- LASERS

The City of Lake Charles has two Judges participating in LASERS. The System was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of LRS 11:401, as amended, for eligible state officers, employees and their beneficiaries. The projection of benefit payments in the calculation of total pension liability includes all benefits to be provided to current active and inactive employees through LASERS in accordance with benefit terms and any legal agreements in force at the measurement date.

### **Benefits Provided**

#### Retirement Benefits- MERS (Plan B)

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. 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.

Final average compensation is the average monthly earnings during the highest 60 consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

#### Retirement Benefits- MPERS

Members of MPERS with membership beginning prior to January 1, 2013 are eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55. A member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent (3.33%) of the member's final compensation (employee's average salary over the 36 consecutive or joined months that produce the highest average) multiplied by the member's years of creditable service.

Members of MPERS with membership beginning on or after January 1, 2013 are eligible for regular retirement, early retirement, disability and survivor benefits based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member

## NOTES TO FINANCIAL STATEMENTS

is eligible for regular retirement after he or she has been a member of MPERS and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

### Retirement Benefits- FRS

Members of the FRS with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement.

### Retirement Benefits- LASERS

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Members may also choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, house clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan. A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement is ten years of service.

## NOTES TO FINANCIAL STATEMENTS

### Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of MPERS is eligible to enter DROP when he or she is eligible for regular retirement based on the members' sub plan participation. At the entry date into DROP, employee and employer contributions cease. The amount deposited into the DROP account for MPERS members is equal to the benefit computed under the retirement plan elected by participant date of application. Interest is earned when the MPERS member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the MPERS member may receive a lump sum from the account or a true annuity based on the account balance.

A member of FRS may elect to participate in the deferred retirement option plan (DROP) for up to 36 months, after completing 20 years of creditable service and age 50 or 25 years at any age. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires. Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

A member of LASERS is eligible to enter DROP when he or she is eligible for regular retirement based on service requirements. The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors. Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its

## NOTES TO FINANCIAL STATEMENTS

portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

### Disability Benefits

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

A member of MPERS is eligible to retire and receive a disability benefit if he or she has been certified as disabled by the State Medical Disability Board. If the disability incurred is job-related, there is no minimum creditable service requirement. If the disability is non-job-related, a minimum of 10 years of creditable service is required if the member was employed on or after July 1, 2008. Members of MPERS employed prior to July 1, 2008 must have a minimum of 5 years of creditable service to be eligible to retire with disability benefits if the disability incurred is non-job-related. The disability benefit received by a MPERS member is equal to three percent of his or her final average compensation multiplied by years of creditable service (not less than 40%, nor more than 60% of final average compensation). At the time the disabled MPERS member reaches normal retirement age, he or she will have the option to continue to receive the disability retirement benefit or to receive his or her vested retirement benefit.

A member of FRS disability benefit or any member who has been officially certified as totally disabled solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member, is entitled to disability benefits. Any member under the age of fifty who becomes totally disabled will receive a disability benefit equal to 60% of final compensation for an injury received in the line of duty; or 75% of his accrued retirement benefit with a minimum of 25% of average salary for any injury received, even though not in the line of duty. Any member age fifty or older who becomes totally disabled from an injury sustained in the line of duty is entitled to a disability benefit equal to the greater of 60% of final compensation or his accrued retirement benefit. Any member age fifty or older who becomes totally disabled as a result of any injury, even though not in the line of duty, is entitled to a disability benefit equal to his accrued retirement benefit with a minimum of 25% of average salary. The surviving spouse of a member who was on disability retirement at the time of death receives a benefit of \$200 per month. When the member takes disability retirement, he may, in addition, take an actuarially reduced benefit in which case the member's surviving spouse receives 50% of the disability benefit being paid immediately prior to the death of the disability retiree. The retirement system may reduce benefits paid to a disability retiree who is also receiving workers compensation payments.

A member of LASERS with ten or more years of credited service who becomes disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age. Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees. For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

### Survivor's Benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable

## NOTES TO FINANCIAL STATEMENTS

service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Survivor benefits for MPERS members are payable to the surviving spouse or surviving minor child/children of a deceased active contributing member or a deceased disability retiree. Survivor benefits are not payable to survivors of retirees receiving benefits under the provisions of early or normal service retirement. The maximum benefit for a surviving spouse of a MPERS member is equal to the regular retirement formula, regardless of age, but not less than 40% or more than 60% of the deceased member's final average compensation. There is no requirement for minimum years of creditable service. If the MPERS member is killed in the line of duty, the surviving spouse shall receive a benefit equal to 100% of the deceased member's final average compensation, less any survivor benefits payable to a child or children. Each surviving minor child of the MPERS member will receive a benefit equal to 10% of deceased member's final average compensation or \$200 per month, whichever is greater. Benefits for a surviving child cease upon the child's attainment of age 18 or upon marriage, whichever occurs first. The benefit may continue after age 18 if the child meets certain educational or disability requirements. The surviving minor child may receive an increased benefit if there is no surviving spouse of the MPERS member.

Survivor benefits for FRS are payable to survivors of a deceased member who dies and is not eligible for retirement as follows. If any member is killed in the line of duty and leaves a surviving eligible spouse, the spouse is entitled to an annual benefit equal to two-thirds of the deceased member's final compensation. If any member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit equal to 3% of the deceased member's average final compensation multiplied by his total years of creditable service; however, in no event is the annual benefit less than 40% nor more than 60% of the deceased member's average final compensation. Children of the deceased member who are under the age of eighteen years are entitled to the greater of \$200 per month or 10% of average final compensation (not to exceed 100% of average final compensation) until reaching the age of eighteen or until the age of twenty-two if enrolled full-time in an institution of higher learning, unless the surviving child is physically handicapped or mentally retarded in which case the benefit is payable regardless of age. If a deceased member dies leaving no surviving spouse, but at least one minor child, each child is entitled to receive forty percent of the deceased's average final compensation, not to exceed an aggregate of sixty percent of average final compensation.

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

### Cost of Living Increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

## NOTES TO FINANCIAL STATEMENTS

MPERS is authorized to provide annual cost of living adjustments to members who have been retired for at least one full fiscal year. The adjustment cannot exceed 3% in any given year. MPERS members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

FRS is authorized to grant retired members and widows of members who have retired an annual cost of living increase up to 3% of their current benefit, and all retired members and widows who are 65 year of age and older a 2% increase in their annual benefits. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to finding status and interest earnings.

The present value of future LASERS retirement benefits are based on benefits currently being paid by the System and include 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 as they were deemed not to be substantively automatic. As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved.

### **Contributions**

The MERS, MPERS, FRS, and LASERS employer contribution rates are established annually under LRS 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending September 30, 2017 the employer contribution rate for MERS Plan B was 13.25%; MPERS was 30.75%; FRS was 26.50%; and LASERS was 40.10% & 39.60% for those hired after January 1, 2011. Employer contributions to MERS, MPERS, FRS, and LASERS were \$1,968,971; \$2,752,521; \$2,190,828; and \$12,839 respectively, for the year ended September 30, 2017. Employees participating in MERS are required to contribute 5.00%; employees participating in MPERS are required to contribute 10.00%; employees participating in the FRS are required to contribute 10.00%; employees participating in LASERS are required to contribute 11.50% & 13% hired after January 1, 2011.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. MPERS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. FRS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. The City of Lake Charles recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended September 30, 2017, the City of Lake Charles recognized revenue as a result of support received from non-employer contributing entities of \$589,593 for its participation in MERS; \$580,118 for its participation in MPERS; and \$916,286 for its participation in the FRS.

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

At September 30, 2017, the City of Lake Charles reported a liability for MERS, MPERS, FRS, and LASERS of \$20,489,879, \$26,530,219, \$20,750,182, and \$136,413, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2017 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The City of Lake Charles's proportion of the net pension liability for each retirement system was based on a projection of the City of Lake Charles's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City of Lake Charles's proportion for MERS was 21.782416% and increased by 1.898932% to 23.681348% for June 30, 2017. The City's proportion of MPERS at June 30, 2016 was 2.900519%, and increased by 0.138305% to 3.038824% at June 30, 2017. The City's proportion of FRS was 3.485849% at June 30, 2016 and increased by 0.134306% to 3.620155% at June 30, 2017. At June 30, 2017, the City's proportion of LASERS was 0.00194% an increase of 0.000030%, from its proportion of .001910% as of June 30, 2016.

# NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2017, the City of Lake Charles recognized pension expense, for which there were no forfeitures, as follows:

Pension Plan	Pension Expense
MERS	\$ 4,540,764
MPERS	4,157,269
FRS	3,525,034
LASERS	8,305
Total	\$ 12,231,372

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

Deferred Outflows of Resources					
	MERS	MPERS	FRS	LASERS	Total
Differences between expected and actual experience	\$ 107,333	\$ 173,719	\$ -	\$ -	\$ 281,052
Changes in assumptions	902,187	1,887,771	867,884	539	3,658,381
Net difference between projected and actual earnings on pension plan investments	4,317,121	1,161,393	1,785,114	4,436	7,268,064
Changes in Proportion and differences between employer contributions and proportionate share of contributions	1,082,136	790,884	792,009		2,665,029
Employer contributions subsequent to measurement date	532,954	619,689	580,507	3,424	1,736,574
Total	\$ 6,941,731	\$ 4,633,456	\$ 4,025,514	\$ 8,399	\$ 15,609,100

# NOTES TO FINANCIAL STATEMENTS

Deferred Inflows of Resources					
	MERS	MPERS	FRS	LASERS	Total
Differences between expected and actual experience	\$ 444,811	\$ 203,916	\$ 1,157,174	\$ 2,503	\$ 1,808,404
Changes in assumptions	0	0	4,949	-	4,949
Net difference between projected and actual earnings on pension plan investments	0	0	0	0	0
Changes in Proportion and differences between employer contributions and proportionate share of contributions	-	267,451	947,064	-	1,214,515
Employer contributions subsequent to measurement date	-	-	-	-	-
Total	\$444,811	\$471,367	\$2,109,187	\$2,503	\$3,027,868

During the year ended September 30, 2017, employer contributions totaling \$532,954; \$619,689; \$580,507; and \$3,424 were made subsequent to the measurement date for MERS, MPERS, FRS, and LASERS respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	MERS	MPERS	FRS	LASERS
2018	\$ 2,332,665	\$ 1,211,600	\$ 658,186	\$ (548)
2019	2,205,127	1,742,587	1,015,644	3,991
2020	1,231,968	1,210,708	223,645	1,775
2021	194,206	(622,495)	(781,923)	(2,746)
2021			72,515	
2022			147,753	
Total	\$ 5,963,966	\$ 3,542,400	\$ 1,335,820	\$ 2,472

## Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS, MPERS, FRS, and LASERS employers as of June 30, 2017 are as follows:

# NOTES TO FINANCIAL STATEMENTS

	<b>MERS Plan B</b>	<b>MPERS</b>
Total pension liability	\$ 236,991,237	\$ 2,918,064,612
Plan fiduciary net position	150,467,958	2,045,022,309
Total net pension liability	<u>\$ 86,523,279</u>	<u>\$ 873,042,303</u>
	<b>FRS</b>	<b>LASERS</b>
Total pension liability	\$ 2,166,881,556	\$ 18,792,105,561
Plan fiduciary net position	1,593,696,648	11,753,275,850
Total net pension liability	<u>\$ 573,184,908</u>	<u>\$ 7,038,829,711</u>

The City of Lake Charles's allocation is 23.681348% of the Total Net Pension Liability for MERS; 3.038824% of the Total Net Pension Liability for MPERS; 3.620155% of the Total Net Pension Liability for the FRS, and 0.001940% of the Total Net Pension Liability for LASERS.

The total pension liabilities for MERS, MPERS, FRS, and LASERS in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	MERS	MPERS								
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost								
Expected remaining service lives	4 years for Plan B	4 years								
Investment rate of return	7.40%, net of investment expense	7.325%, net of investment expense								
Inflation rate	2.775%	2.70%								
Projected salary increases	5.00% (2.775% inflation, 2.225% merit)	<table><tr><td>Years of Service</td><td>Salary Growth Rate</td></tr><tr><td>1-2</td><td>9.75%</td></tr><tr><td>3-23</td><td>4.75%</td></tr><tr><td>24 &amp; over</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	24 & over	4.25%
Years of Service	Salary Growth Rate									
1-2	9.75%									
3-23	4.75%									
24 & over	4.25%									
Cost of living adjustments	None	None								
Mortality	For Annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality tables (set forward 2 years for males and set forward 1 year for females). For employees, RP-2000 Employees Sex Distinct Tables (set back 2 years were used.) RP-2000 Disabled Lives Mortality Table (set back 5 years for males and set back 3 years for females) was selected for disabled annuitants	Based on an experience study for the period July 1, 2009-June 30, 2014. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table set back 4 years for males and 3 years for females. Disabled Lives tables were set back 5 years for males and 3 years for female disabled annuitants.								

# NOTES TO FINANCIAL STATEMENTS

	FRS	LASERS												
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost												
Expected remaining service lives	7 years	3 years												
Investment rate of return	7.40%, net of investment expense	7.70%, net of investment expense												
Inflation rate	2.775%	2.75%												
Projected salary increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years	<table><tr><td>Member Type</td><td>Lower to Upper Range</td></tr><tr><td>Regular</td><td>3.8% - 12.8%</td></tr><tr><td>Judges</td><td>2.8% - 5.3%</td></tr><tr><td>Corrections</td><td>3.4% - 14.3%</td></tr><tr><td>Hazardous Duty</td><td>3.4% - 14.3%</td></tr><tr><td>Wildlife</td><td>3.4% - 14.3%</td></tr></table>	Member Type	Lower to Upper Range	Regular	3.8% - 12.8%	Judges	2.8% - 5.3%	Corrections	3.4% - 14.3%	Hazardous Duty	3.4% - 14.3%	Wildlife	3.4% - 14.3%
Member Type	Lower to Upper Range													
Regular	3.8% - 12.8%													
Judges	2.8% - 5.3%													
Corrections	3.4% - 14.3%													
Hazardous Duty	3.4% - 14.3%													
Wildlife	3.4% - 14.3%													
Cost of living adjustments	Only those previously granted	Only those previously granted												
Mortality	Mortality rate assumptions were based upon experience and data was combined with the RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant and beneficiary mortality. The RP-2000 Disables Lives Mortality Table are set back 5 years for males and 3 year for females for disabled annuitants.	Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 for Non-disabled members. Mortality rates based on the RP-2000 Disabled Retiree mortality Table, with no projection for mortality improvement for Disabled members. Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of the System's members.												

The MERS actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study for the period July 1, 2009 through June 30, 2014. The MPERS and FRS actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.20%, MPERS is 8.19%, FRS is 8.29%, and LASERS is 8.69% for the year ended June 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS, MPERS, FRS and LASERS as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocations				Long Term Expected Real Rate of Return			
	MERS	MPERS	FRS	LASERS	MERS	MPERS	FRS	LASERS
Equity	50%	53%	57%	57%	2.30%	3.66%	3.98%	3.32%
Fixed income	35%	21%	23%	14%	1.60%	0.52%	0.47%	29.00%
Alternatives	15%	20%	10%	22%	0.70%	1.10%	0.63%	1.63%
Other	0%	6%	10%	7%	0.00%	0.16%	0.46%	20.00%
Subtotal	100%	100%	100%	100%	4.60%	5.44%	5.54%	5.44%
Inflation adjustment					2.60%	2.75%	2.75%	3.25%
Total					7.20%	8.19%	8.29%	8.69%

### Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.40%, MPERS was 7.325%, and FRS was 7.40%. The discount rate used to measure the total pension liability for LASERS was 7.70%. 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 actuary. Based on those assumptions, the net position of MERS, MPERS, FRS, and LASERS were 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the City of Lake Charles's proportionate share of the net pension liability using the discount rate of 7.40% for MERS, 7.325% for MPERS, 7.40% for FRS, and 7.70% for LASERS as well as what the City of Lake Charles's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40% for MERS, 6.325% for MPERS, 6.40% for FRS, and 6.70% for LASERS ) or one percentage-point higher (8.40% for MERS, 8.325% for MPERS, 8.40% for FRS, and 8.70% for LASERS) than the current rate:

Pension Plan	1% Decrease	Current Discount	1% Increase
MERS	\$ 26,511,602	\$ 20,489,879	\$ 15,351,173
MPERS	36,654,056	26,530,219	18,037,049
FRS	29,817,210	20,750,182	13,128,042
LASERS	171,250	136,413	106,792
Total	\$ 93,154,118	\$ 67,906,693	\$ 46,623,056

## NOTES TO FINANCIAL STATEMENTS

### Payables to the Pension Plans

At September 30, 2017, payables to MERS, MPERS, FRS, and LASERS were \$239,351, \$271,108, \$270,877, and \$1,489 respectively, for September 30, 2017 employee and employer legally-required contributions.

### H. Federally Assisted Grant Programs

The City participates in a number of federally assisted grant programs, with the principal grantor agencies being the U.S. Department of Transportation, the Department of Housing and Urban Development, Environmental Protection Agency, and the U.S. Department of Military Affairs. These programs are subject to compliance audits by the grantors or their representatives, and the City's compliance with applicable grant requirements for the year ended September 30, 2017 will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Federal and state governmental units represent an important source of supplemental funding used to finance housing, construction and infrastructure programs, and other activities beneficial to the City. These funds, primarily in the form of grants, are recorded in the General, Special Revenue, Capital Project and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative using standards established under the Single Audit Act of 1984 and Uniform Guidance Supplemental Reports. The compliance audit report is not included within this report but will be issued as a separate supplementary report.

During fiscal year 2017 the following amounts were recorded in the accompanying financial statements under various federal and state pass-through entitlements:

Fund	Fiscal year 2017
Community Development	\$ 600,787
Grant Fund	936,759
Capital Projects Fund	510,139
Transit Enterprise Fund	1,758,443
Recreation Fund	750
Disaster Recovery Fund	593,477

### I. Dedication of Proceeds and Flow of Funds - Two and One-Half Percent Sales and Use Tax

#### One Percent Sales and Use Tax:

Proceeds of the one percent sales tax levied by the City of Lake Charles (2017 collections \$25,695,368; 2016 collections \$24,759,696; 2015 collections \$24,233,675;) are collected by the General Fund and may be used for virtually any operating or capital needs of the City of Lake Charles. This tax levy was originally authorized in 1965 and was recently re-authorized for an additional 25 years from March 1, 2015.

## NOTES TO FINANCIAL STATEMENTS

### Additional Dedicated One Percent Sales Tax:

In November 1986, a sales tax election was held, and the City of Lake Charles was authorized to collect an additional dedicated one percent sales tax levy for a period of five years commencing January 1, 1987. This tax has since been reauthorized for periods of five years extending through 1996, and then for ten years through 2006. This tax was re-authorized in 2016 for an additional 10 years through 2026. Proceeds of this additional one percent sales tax levied by the City of Lake Charles (2017 collections \$25,695,368; 2016 collections \$24,759,696; 2014 collections \$24,233,672) were deposited directly to the funds for which they are dedicated on a percentage basis as follows:

General Fund	
Public safety purposes	20%
Public works purposes	28%
Wastewater Special Revenue Fund	
Wastewater or sanitary sewerage services or facilities	16%
Recreation Special Revenue Fund	
Recreation	8%
Capital Project Fund	
Certain types of capital improvements	28%

### One-Quarter Percent Sales Tax – Employee salary and Benefits:

The voters approved a sales tax levy of one-quarter of one percent in January 1995 for the purpose of maintaining the salaries and benefits of City employees. This tax levy is authorized for a period of ten years from its effective date of April 1, 1995. This tax has been reauthorized for ten years, extending through 2025. The revenues from this tax are recorded exclusively in the General Fund. Collections for September 30, 2017 totaled \$6,423,849; \$6,189,202 in fiscal year 2016 and \$6,058,540 in 2014.

### Additional One-Quarter Percent Sales Tax:

The voters approved a sales tax levy of one-quarter of one percent in October 2015 for the purpose of securing the bonded debt of the City, should primary sources of repayment become insufficient. Funds not used for this purpose shall be reauthorized for capital improvements. The balance of funds not otherwise needed for the bond reserve fund shall be used to pay for salaries, operational, maintenance and other capital needs. This tax levy is authorized for a period of fifteen year from its effective date of January 1, 2016. Collections for September 30, 2017 totaled \$6,372,112 and for the nine month period of fiscal year 2016 totaled \$4,571,836. Funds are deposited into the General Fund and the Sales Tax Reserve Fund.

NOTES TO FINANCIAL STATEMENTS

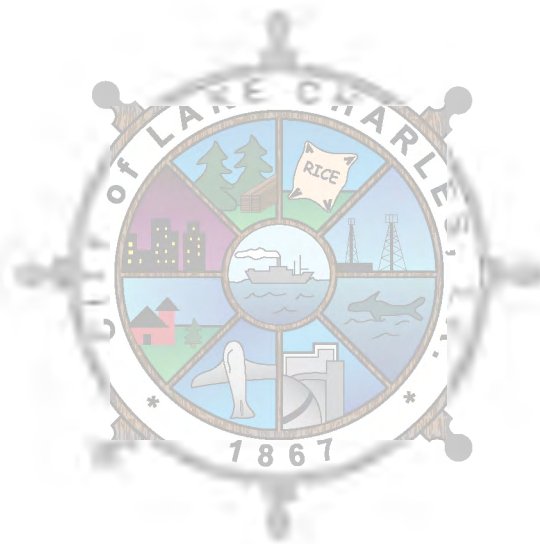
**J. Schedule of Compensation Paid to Governing Board**

	Salary	Vehicle Usage	Per Diem	Total
Mayor:				
Randy Roach	\$ 93,750	\$ -	\$ -	\$ 93,750
Nicholas Hunter	34,043	1,800		35,843
Councilmen:				
Luvertha August	13,500			13,500
Mark Eckard	13,500		200	13,700
Rodney Geyen	13,500			13,500
John Ieyoub	13,500			13,500
Dana Carl Jackson	9,000			9,000
Mary Morris	13,500			13,500
Johnnie Thibodeaux	4,500			4,500
Stuart Weatherford	12,750			12,750
Total	\$ 221,543	\$ 1,800	\$ 200	\$ 223,543

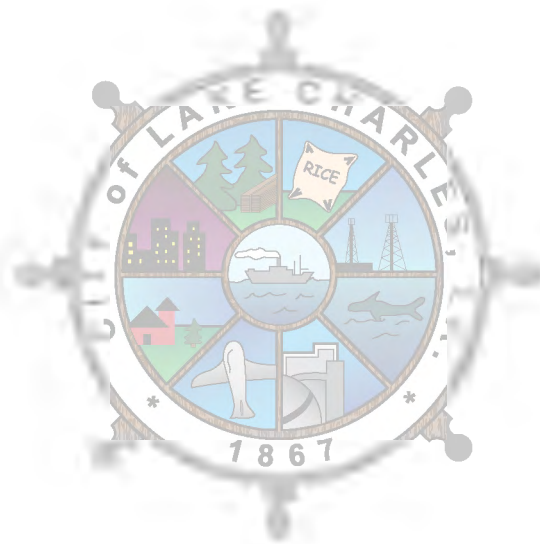
Mayor Randy Roach and Councilman Dana Jackson received compensation from October 1, 2016 through June 30, 2017.

Mayor Nicholas Hunter and Councilman Jonnie Thibodeaux received compensation from July 1, 2017 through September 30, 2017.

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# REQUIRED SUPPLEMENTAL INFORMATION



# CITY OF LAKE CHARLES, LOUISIANA

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For Fiscal Year Ended September 30, 2017

	Budgeted Amounts		2017	Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Taxes	\$60,506,933	\$60,506,933	\$62,039,619	\$1,532,686
Licenses and permits	6,314,400	6,314,400	6,597,424	283,024
Intergovernmental	2,750,590	2,750,590	3,082,863	332,273
Charges for services	2,512,331	2,512,331	2,762,447	250,116
Fines and forfeitures	184,200	184,200	301,103	116,903
Miscellaneous	683,850	683,850	1,121,682	437,832
Total revenues	<u>72,952,304</u>	<u>72,952,304</u>	<u>75,905,138</u>	<u>2,952,834</u>
<b>Expenditures:</b>				
Current:				
General government	3,454,588	3,454,588	3,204,360	250,228
Finance	1,954,320	1,954,320	1,714,273	240,047
Human Resources	426,167	426,167	397,613	28,554
Fire	16,409,243	16,409,243	15,870,091	539,152
Police	19,801,479	19,801,479	19,257,152	544,327
Public works	17,507,847	17,507,847	16,829,777	678,070
Planning	2,414,043	2,414,043	1,975,729	438,314
General services	5,478,573	5,478,573	4,788,886	689,687
Total expenditures	<u>67,446,260</u>	<u>67,446,260</u>	<u>64,037,881</u>	<u>3,408,379</u>
Excess (deficiency) of rev over exp	<u>5,506,044</u>	<u>5,506,044</u>	<u>11,867,257</u>	<u>6,361,213</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(6,888,889)</u>	<u>(6,888,889)</u>	<u>(6,882,988)</u>	<u>5,901</u>
Total other financing sources (uses)	<u>(6,888,889)</u>	<u>(6,888,889)</u>	<u>(6,882,988)</u>	<u>5,901</u>
Net change in fund balances	<u>(1,382,845)</u>	<u>(1,382,845)</u>	<u>4,984,269</u>	<u>6,367,114</u>
Fund balance at beginning of year	<u>30,025,538</u>	<u>30,025,538</u>	<u>30,025,538</u>	<u>-</u>
Fund balance at end of year	<u>\$28,642,693</u>	<u>\$28,642,693</u>	<u>\$35,009,807</u>	<u>\$6,367,114</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Riverboat Gaming Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 11,300,000	10,450,000	10,657,944	207,944
Miscellaneous	6,000	16,000	19,332	3,332
Total revenues	<u>11,306,000</u>	<u>10,466,000</u>	<u>10,677,276</u>	<u>211,276</u>
<b>Expenditures:</b>				
Other services and charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>11,306,000</u>	<u>10,466,000</u>	<u>10,677,276</u>	<u>211,276</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	0
Transfers out	(11,628,301)	(11,128,301)	(11,062,304)	65,997
Total other financing sources (uses)	<u>(11,628,301)</u>	<u>(11,128,301)</u>	<u>(11,062,304)</u>	<u>65,997</u>
Excess (deficiency) of rev and other sources over exp and other uses	(322,301)	(662,301)	(385,028)	277,273
Fund balance at beginning of year	<u>1,129,944</u>	<u>1,129,944</u>	<u>1,129,944</u>	<u>-</u>
Fund balance at end of year	<u><u>\$807,643</u></u>	<u><u>\$467,643</u></u>	<u><u>744,916</u></u>	<u><u>\$277,273</u></u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Waste Water Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Sales tax revenue	\$ 4,000,000	\$ 4,000,000	\$ 4,111,259	\$ 111,259
Charges for services	13,624,500	13,624,500	13,361,068	(263,432)
Miscellaneous	19,000	19,000	121,603	102,603
Total revenues	<u>17,643,500</u>	<u>17,643,500</u>	<u>17,593,930</u>	<u>(49,570)</u>
<b>Expenditures:</b>				
Personal services	3,637,060	3,694,060	3,572,876	121,184
Contractual and operational services	3,332,795	3,750,195	3,667,357	82,838
Materials & supplies	1,289,250	1,116,950	1,029,148	87,802
Special Current Charges	1,474,000	1,475,000	1,322,427	152,573
Capital outlay	1,411,700	1,108,600	441,205	667,395
Total expenditures	<u>11,144,805</u>	<u>11,144,805</u>	<u>10,033,013</u>	<u>1,111,792</u>
Excess (deficiency) of rev over exp	6,498,695	6,498,695	7,560,917	1,062,222
<b>Other financing sources (uses):</b>				
Transfers in	357,141	357,141	357,141	0
Transfers out	(6,820,000)	(6,820,000)	(6,820,000)	-
Total other financing sources (uses)	<u>(6,462,859)</u>	<u>(6,462,859)</u>	<u>(6,462,859)</u>	<u>0</u>
Excess (deficiency) of rev and other sources over exp and other uses	35,836	35,836	1,098,058	1,062,222
Fund balance at beginning of year	<u>3,276,393</u>	<u>3,276,393</u>	<u>3,276,393</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,312,229</u>	<u>\$ 3,312,229</u>	<u>\$ 4,374,451</u>	<u>\$ 1,062,222</u>

**CITY OF LAKE CHARLES, LOUISIANA**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
For Fiscal Year Ended September 30, 2017**

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Budget to Actual schedules that are included in the RSI Section are reported on the same basis as GAAP.

**CITY OF LAKE CHARLES, LOUISIANA****Other Postemployment Benefits -****Schedule of Funding Progress****For Fiscal Year Ended September 30, 2017**

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**Schedule of Funding Progress for the OPEB Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
10/01/2008	\$0	\$ 6,063,254	\$ 6,063,254	0%	\$ 23,558,095	25.74%
10/01/2010	\$0	\$ 6,402,679	\$ 6,402,679	0%	\$ 23,900,000	26.79%
10/01/2012	\$0	\$ 4,928,516	\$ 4,928,516	0%	\$ 25,311,382	19.47%
10/01/2014	\$0	\$ 4,668,177	\$ 4,668,177	0%	\$ 26,619,735	17.54%
10/01/2016	\$0	\$ 2,046,760	\$ 2,046,760	0%	\$ 31,113,777	6.58%

Only five years of trend information is available for presentation since 2009 was the first year for implementation of Governmental Accounting Standards Board (GASB) Statement No. 45

"Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pension", and actuarial valuations are only required every two years.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Schedule of Employer's Proportionate Share Of**  
**Net Pension Liability**  
**For Plan Year Ended June 30, 2017**

<b>Plan Year</b>	<b>Employer Proportionate of the Net Pension Liability (Asset)</b>	<b>Employer Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of It's Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<b>MERS:</b>					
2017	23.681348%	\$ 20,489,879	\$ 17,438,404	117.5%	63.5%
2016	21.782416%	18,055,628	16,114,347	112.0%	63.3%
2015	20.920534%	14,218,580	14,405,300	98.7%	68.7%
2014	20.829217%	9,779,242	14,297,054	68.4%	76.9%
<b>MPERS:</b>					
2017	3.038824%	26,530,219	9,036,361	293.6%	70.1%
2016	2.900519%	27,186,035	7,918,823	343.3%	66.0%
2015	2.951862%	23,124,753	7,901,901	292.6%	70.7%
2014	2.991097%	18,712,548	7,668,782	244.0%	75.1%
<b>FRS:</b>					
2017	3.620155%	20,750,182	8,444,443	245.7%	73.5%
2016	3.485849%	22,800,604	8,504,518	268.1%	68.2%
2015	3.543553%	19,124,954	7,530,781	254.0%	72.5%
2014	3.805176%	16,932,704	7,478,773	226.4%	76.0%
<b>LASERS:</b>					
2017	0.001940%	136,413	34,344	397.2%	62.5%
2016	0.001910%	149,984	34,344	436.7%	57.7%
2015	0.001880%	127,800	34,344	372.1%	62.7%
2014	0.001910%	119,368	34,344	347.6%	65.0%

\* This schedule will contain ten years of historical information once such information becomes available.

# CITY OF LAKE CHARLES, LOUISIANA

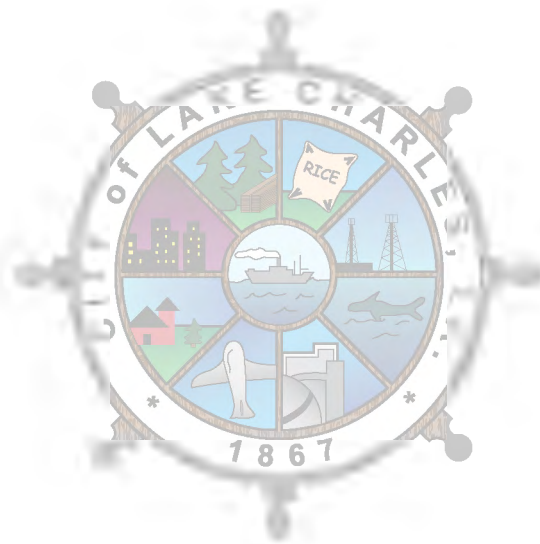
## Schedule of Employer's Pension Contributions

For Fiscal Year Ended September 30, 2017

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions As a Percent of Covered Employee Payroll</u>
<u>MERS:</u>					
2017	\$ 1,968,428	\$ 1,968,428	\$ -	\$ 17,072,028	11.53%
2016	1,649,933	1,649,933	-	16,491,457	10.00%
2015	1,399,446	1,399,446	-	14,730,952	9.50%
2014	1,276,122	1,276,122	-	14,268,318	8.94%
<u>MPERS:</u>					
2017	2,748,475	2,748,475	-	8,705,259	31.57%
2016	2,540,782	2,540,782	-	8,216,344	30.92%
2015	2,438,032	2,438,032	-	7,867,402	30.99%
2014	2,415,255	2,415,255	-	7,754,805	31.15%
<u>FRS:</u>					
2017	2,189,624	2,189,624	-	8,568,354	25.55%
2016	2,147,160	2,147,160	-	8,032,163	26.73%
2015	2,161,180	2,161,180	-	7,518,430	28.75%
2014	2,148,278	2,148,278	-	7,531,809	28.52%
<u>LASERS:</u>					
2017	13,065	13,065	-	34,344	38.04%
2016	13,163	13,163	-	34,344	38.33%
2015	13,162	13,162	-	34,344	38.32%
2014	12,467	12,467	-	34,344	36.30%

\* This schedule will contain ten years of historical information once such information becomes available.

# OTHER SUPPLEMENTAL INFORMATION



**CITY OF LAKE CHARLES, LOUISIANA**  
**Schedule of Total Compensation for Mayor, City of Lake Charles**  
**For Fiscal Year ended September 30, 2017**

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**Compensation for Mayor of City of Lake Charles fiscal year 2017:**

<b>Nicholas Hunter, Mayor July 1, 2017 - September 30, 2017</b>	<b>Amount</b>
<b>Purpose:</b>	
Salary	\$34,043
Vehicle Usage	1,800
Benefits - health insurance	1,860
Benefits - FICA & Medicare	2,696
Benefits - retirement	4,511
Total	\$44,910

<b>Randy Roach, Former Mayor October 1, 2016 - June 30, 2017</b>	<b>Amount</b>
<b>Purpose:</b>	
Salary	\$93,750
Benefits - health insurance	6,310
Benefits - FICA & Medicare	6,795
Benefits - retirement	10,313
Benefits-wellness	180
Total	\$117,348

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Grant Fund** – Accounts for funds received and expended for various categorical grant programs, including law enforcement grants and summer food service program.

**Recreation Fund** – Accounts for the operation and maintenance of recreational programs and facilities other than the Civic Center and Golf Course, and for the receipt and subsequent expenditure of dedicated taxes, user fees and other funds received for recreational services.

**Central School Fund** – Accounts for receipt and subsequent expenditure of funds for operation, maintenance and improvements of the Central School Arts and Humanities Center.

**Special Event Fund** – Accounts for receipt and subsequent expenditure of funds for special events and exhibit costs.

**2015 One-quarter Cent Sale Tax Fund** – Accounts for the collection of no less than 25 percent of the one-quarter cent sales tax levy authorized in 2015. Funds are reserved to meet the annual bonded debt service requirements of the City, should primary sources of repayment become insufficient. Funds not used for this purpose shall be reauthorized for capital improvements in the subsequent year.

**Facility Renewal Fund** – Accounts for funds transferred from other sources to provide for long-term accumulation of funds for future maintenance and repair needs.

**Disaster Recovery Fund** – Accounts for the receipt of intergovernmental and miscellaneous revenue and subsequent expenditure of such funds necessary to recover from disasters.

**Community Development** – This fund accounts for the receipt and subsequent expenditure of federal funds received from the Department of Housing and Urban Development for housing and community development purposes, including related revenues which are restricted to such purposes by grant agreements. The principal revenue source accounted for within this fund is the Community Development Block Grant Program.

# CITY OF LAKE CHARLES, LOUISIANA

## Combining Balance Sheet

### Nonmajor Governmental Funds

For Fiscal Year Ended September 30, 2017

					2015 One-				Total
			Central	Special	Quarter Cent	Facility	Disaster	Community	Nonmajor
	Grants	Recreation	School	Events	Sales Tax	Renewal	Recovery	Development	Governmental
ASSETS									Funds
Cash (Note 1-G)	\$ 679,326	\$ 589,774	\$ 39,288	\$ 137,350	\$ 1,488,799	\$ 2,096,913	\$ 2,694,911	\$ 85,136	\$ 7,811,497
Investments (Note 1-G)	59,174	78,460	54,737	-	-	1,105,700	-	-	1,298,071
Receivable									
(net of allowance for uncollectable)									
Accounts (Note 1-I)	109	176,307	7,899	89	136,884	-	-	-	321,288
Intergovernmental (Note 7-C)	49,034	250	-	-	-	-	436,124	169,570	654,978
Due from other funds (Note 7-B)	37,520	113,878	-	-	-	-	-	6,122	157,520
Prepaid items	-	11,482	-	10,000	-	-	-	-	21,482
Total assets	<u>\$ 825,163</u>	<u>\$ 970,151</u>	<u>\$ 101,924</u>	<u>\$ 147,439</u>	<u>\$ 1,625,683</u>	<u>\$ 3,202,613</u>	<u>\$ 3,131,035</u>	<u>\$ 260,828</u>	<u>\$ 10,264,836</u>
 <b>LIABILITIES</b>									
Accounts payable	\$ 18,074	\$ 114,662	\$ 6,713	\$ 8,529	\$ -	\$ -	\$ 106,879	\$ 57,843	\$ 312,700
Escrow	-	225	-	885	-	-	-	1,982	3,092
Due to other funds	17,451	147,128	52	47	-	-	290	8,185	173,153
Deferred revenues	-	-	-	6,000	-	-	-	-	6,000
Total liabilities	<u>35,525</u>	<u>262,015</u>	<u>6,765</u>	<u>15,461</u>	<u>-</u>	<u>-</u>	<u>107,169</u>	<u>68,010</u>	<u>494,945</u>
 <b>FUND BALANCES</b>									
Nonspendable	-	11,481	-	10,000	-	-	-	-	21,481
Committed	-	-	76,413	42,363	1,625,683	-	-	-	1,744,459
Assigned:									
Community Services	187,162	696,655	18,746	79,615	-			192,818	1,174,996
Public Safety	602,476								602,476
Disaster Recovery							3,023,866		3,023,866
Capital Projects						3,202,613			3,202,613
Total fund balances	<u>789,638</u>	<u>708,136</u>	<u>95,159</u>	<u>131,978</u>	<u>1,625,683</u>	<u>3,202,613</u>	<u>3,023,866</u>	<u>192,818</u>	<u>9,769,891</u>
Total liabilities and fund balances	<u>\$ 825,163</u>	<u>\$ 970,151</u>	<u>\$ 101,924</u>	<u>\$ 147,439</u>	<u>\$ 1,625,683</u>	<u>\$ 3,202,613</u>	<u>\$ 3,131,035</u>	<u>\$ 260,828</u>	<u>\$ 10,264,836</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For Fiscal Year Ended September 30, 2017**

	<u>Grants</u>	<u>Recreation</u>	<u>Central School</u>	<u>Special Events</u>	<u>2015 One- Quarter Cent Sales Tax</u>	<u>Facility Renewal</u>	<u>Disaster Recovery</u>	<u>Community Development</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>									
Taxes	\$ -	\$ 3,229,787	\$ -	\$ -	\$ 1,593,028	\$ -	\$ -	\$ -	\$ 4,822,815
Intergovernmental	950,348	59,233	-	-	-	-	593,477	600,788	2,203,846
Charges for services	-	163,425	-	-	-	-	-	-	163,425
Miscellaneous	25,908	10,725	100,306	60,941	18,251	29,762	52,445	19,334	317,672
Total revenues	<u>976,256</u>	<u>3,463,170</u>	<u>100,306</u>	<u>60,941</u>	<u>1,611,279</u>	<u>29,762</u>	<u>645,922</u>	<u>620,122</u>	<u>7,507,758</u>
<b>Expenditures:</b>									
Current operating:									
Police	513,356	-	-	-	-	-	-	-	513,356
Planning and development	-	-	-	-	-	-	-	635,547	635,547
Community services	734,030	4,408,672	128,107	265,404	-	-	462,184	-	5,998,397
Total expenditures	<u>1,247,386</u>	<u>4,408,672</u>	<u>128,107</u>	<u>265,404</u>	<u>-</u>	<u>-</u>	<u>462,184</u>	<u>635,547</u>	<u>7,147,300</u>
Excess (deficiency) of revenues over expenditures	<u>(271,130)</u>	<u>(945,502)</u>	<u>(27,801)</u>	<u>(204,463)</u>	<u>1,611,279</u>	<u>29,762</u>	<u>183,738</u>	<u>(15,425)</u>	<u>360,458</u>
<b>Other financing sources (uses):</b>									
Transfers in	473,194	945,502	25,000	250,000	-	-	-	23,574	1,717,270
Transfers out	-	-	-	-	(2,273,000)	-	(195,000)	-	(2,468,000)
Total other financing sources (uses)	<u>473,194</u>	<u>945,502</u>	<u>25,000</u>	<u>250,000</u>	<u>(2,273,000)</u>	<u>-</u>	<u>(195,000)</u>	<u>23,574</u>	<u>(750,730)</u>
Net change in fund balances	202,064	-	(2,801)	45,537	(661,721)	29,762	(11,262)	8,149	(390,272)
Fund balance at beginning of year	<u>587,574</u>	<u>708,136</u>	<u>97,960</u>	<u>86,441</u>	<u>2,287,404</u>	<u>3,172,851</u>	<u>3,035,128</u>	<u>184,669</u>	<u>10,160,163</u>
Fund balance at end of year	<u>\$ 789,638</u>	<u>\$ 708,136</u>	<u>\$ 95,159</u>	<u>\$ 131,978</u>	<u>\$ 1,625,683</u>	<u>\$ 3,202,613</u>	<u>\$ 3,023,866</u>	<u>\$ 192,818</u>	<u>\$ 9,769,891</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Grant Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Intergovernmental:	\$ 1,528,641	\$ 1,008,136	\$ 950,348	\$ (57,788)
Miscellaneous	-	3,488	25,908	22,420
Total revenues	<u>1,528,641</u>	<u>1,011,624</u>	<u>976,256</u>	<u>(35,368)</u>
<b>Expenditures:</b>				
Current:				
Public safety	918,812	513,888	513,356	532
Community services	<u>1,013,254</u>	<u>769,797</u>	<u>734,030</u>	<u>35,767</u>
Total expenditures	<u>1,932,066</u>	<u>1,283,685</u>	<u>1,247,386</u>	<u>36,299</u>
Excess of revenues over expenditures	<u>(403,425)</u>	<u>(272,061)</u>	<u>(271,130)</u>	<u>931</u>
<b>Other financing source(uses):</b>				
Transfers in	<u>477,675</u>	<u>472,071</u>	<u>473,194</u>	<u>1,123</u>
Total other financing sources (uses)	<u>477,675</u>	<u>472,071</u>	<u>473,194</u>	<u>1,123</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	74,250	200,010	202,064	2,054
Fund balance at beginning of year	<u>587,574</u>	<u>587,574</u>	<u>587,574</u>	<u>-</u>
Fund balance at end of year	<u>\$ 661,824</u>	<u>\$ 787,584</u>	<u>\$ 789,638</u>	<u>\$ 2,054</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Recreation Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 3,141,366	\$ 3,141,366	\$ 3,229,787	\$ 88,421
Intergovernmental	46,000	46,000	59,233	13,233
Charges for services	125,200	125,200	163,425	38,225
Miscellaneous	1,000	1,000	10,725	9,725
Total revenues	<u>3,313,566</u>	<u>3,313,566</u>	<u>3,463,170</u>	<u>149,604</u>
<b>Expenditures:</b>				
Personal services	2,758,160	2,758,160	2,543,367	214,793
Contractual and operational	1,276,343	1,252,338	1,027,502	224,836
Materials and supplies	585,900	614,155	481,330	132,825
Special charges	15,000	24,000	20,304	3,696
Capital outlay	669,500	656,250	336,169	320,081
	<u>5,304,903</u>	<u>5,304,903</u>	<u>4,408,672</u>	<u>896,231</u>
Excess (deficiency) of rev over exp	<u>(1,991,337)</u>	<u>(1,991,337)</u>	<u>(945,502)</u>	<u>1,045,835</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,941,337	1,941,337	945,502	(995,835)
Total other financing sources (uses)	<u>1,941,337</u>	<u>1,941,337</u>	<u>945,502</u>	<u>(995,835)</u>
Excess (deficiency) of rev and other sources over exp and other uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Fund balance at beginning of year	<u>708,136</u>	<u>708,136</u>	<u>708,136</u>	<u>-</u>
Fund balance at end of year	<u>\$ 658,136</u>	<u>\$ 658,136</u>	<u>\$ 708,136</u>	<u>\$ 50,000</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Central School Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Miscellaneous	\$ 90,200	\$ 90,200	\$ 100,306	\$ 10,106
Total revenues	<u>90,200</u>	<u>90,200</u>	<u>100,306</u>	<u>10,106</u>
<b>Expenditures:</b>				
Contractual and operational	129,863	129,863	76,804	53,059
Materials and supplies	25,000	25,000	21,827	3,173
Special charges	29,100	29,100	29,476	(376)
Total expenditures	<u>183,963</u>	<u>183,963</u>	<u>128,107</u>	<u>55,856</u>
Excess of revenue over expenditures	<u>(93,763)</u>	<u>(93,763)</u>	<u>(27,801)</u>	<u>65,962</u>
<b>Other financing sources (uses):</b>				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>(68,763)</u>	<u>(68,763)</u>	<u>(2,801)</u>	<u>65,962</u>
Fund balance at beginning of year	<u>97,960</u>	<u>97,960</u>	<u>97,960</u>	<u>-</u>
Fund balance at end of year	<u>\$ 29,197</u>	<u>\$ 29,197</u>	<u>\$ 95,159</u>	<u>\$ 65,962</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Special Event Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Miscellaneous	\$ 17,500	\$ 17,500	\$ 60,941	\$ 43,441
Total revenues	17,500	17,500	60,941	43,441
<b>Expenditures:</b>				
Materials and supplies	8,200	8,200	6,981	1,219
Other services and charges	271,963	271,963	258,423	13,540
Total expenditures	280,163	280,163	265,404	14,759
Excess of revenue over expenditures	(262,663)	(262,663)	(204,463)	58,200
<b>Other financing sources:</b>				
Transfers in	250,000	250,000	250,000	-
Total other financing sources	250,000	250,000	250,000	-
Excess (deficiency) of revenue and other sources over expenditure and other uses	(12,663)	(12,663)	45,537	58,200
Fund balance at beginning of year	86,441	86,441	86,441	-
Fund balance at end of year	\$ 73,778	\$ 73,778	\$ 131,978	\$ 58,200

**CITY OF LAKE CHARLES, LOUISIANA**  
**2015 One-Quarter Cent Sales Tax Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

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	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes	\$1,562,500	\$ 1,562,500	\$ 1,593,028	\$ 30,528
Miscellaneous	-	-	18,251	18,251
Total revenues	<u>1,562,500</u>	<u>1,562,500</u>	<u>1,611,279</u>	<u>48,779</u>
<b>Expenditures:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of rev over exp	<u>1,562,500</u>	<u>1,562,500</u>	<u>1,611,279</u>	<u>48,779</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(2,273,000)</u>	<u>(2,273,000)</u>	<u>(2,273,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,273,000)</u>	<u>(2,273,000)</u>	<u>(2,273,000)</u>	<u>-</u>
Net change in fund balances	(710,500)	(710,500)	(661,721)	48,779
Fund balance at beginning of year	<u>2,287,404</u>	<u>2,287,404</u>	<u>2,287,404</u>	<u>-</u>
Fund balance at end of year	<u><u>\$1,576,904</u></u>	<u><u>\$ 1,576,904</u></u>	<u><u>\$ 1,625,683</u></u>	<u><u>\$ 48,779</u></u>

# CITY OF LAKE CHARLES, LOUISIANA

## Facility Renewal Special Revenue Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual

Fiscal Year Ended September 30, 2017

	Budgeted Amounts		2017	Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Interest on investments	\$ 13,000	\$ 13,000	\$ 29,762	\$ 16,762
Total revenues	13,000	13,000	29,762	16,762
<b>Expenditures:</b>	-	-	-	-
Excess (deficiency) of rev over exp	13,000	13,000	29,762	16,762
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of rev and other sources over exp and other uses	13,000	13,000	29,762	16,762
Fund balance at beginning of year	3,172,851	3,172,851	3,172,851	-
Fund balance at end of year	\$ 3,185,851	\$ 3,185,851	\$ 3,202,613	\$ 16,762

**CITY OF LAKE CHARLES, LOUISIANA**  
**Disaster Recovery Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>		<u>2017</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Intergovernmental				
(net of allowance for uncollectable)	\$ 1,316,014	\$ 599,759	\$ 593,477	\$ (6,282)
Miscellaneous	438,671	52,445	52,445	-
Total revenues	<u>1,754,685</u>	<u>652,204</u>	<u>645,922</u>	<u>(6,282)</u>
<b>Expenditures:</b>				
Current:				
Personal services	-	294,426.00	294,394	32
Contractual and operational	<u>1,754,685</u>	<u>175,780</u>	<u>167,790</u>	<u>7,990</u>
Total expenditures	<u>1,754,685</u>	<u>470,206</u>	<u>462,184</u>	<u>8,022</u>
Excess (deficiency) of rev over exp	-	181,998	183,738	1,740
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Excess (deficiency) of rev and other sources over exp and other uses	<u>-</u>	<u>(13,002)</u>	<u>(11,262)</u>	<u>1,740</u>
Fund balance at beginning of year	<u>3,035,128</u>	<u>3,035,128</u>	<u>3,035,128</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,035,128</u>	<u>\$ 3,022,126</u>	<u>\$ 3,023,866</u>	<u>\$ 1,740</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Community Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2017**

	<b>Budgeted Amounts</b>		<b>2017</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Intergovernmental	\$ 605,376	\$ 632,952	\$ 600,788	\$ (32,164)
Miscellaneous	-	-	19,334	\$ 19,334
Total revenues	605,376	632,952	620,122	(12,830)
<b>Expenditures:</b>				
Current:				
Personal services	164,330	162,123	159,536	2,587
Contract and operational	265,115	262,768	217,603	45,165
Material and supplies	6,692	2,430	2,472	(42)
Special current charges	199,281	235,673	255,936	(20,263)
Total expenditures	635,418	662,994	635,547	27,447
Excess (deficiency) of revenues over expenditures	(30,042)	(30,042)	(15,425)	14,617
<b>Other financing sources:</b>				
Transfers in	30,042	30,042	23,574	(6,468)
Total other financing sources	30,042	30,042	23,574	(6,468)
Excess (deficiency) of rev and other sources over exp and other uses	-	-	8,149	8,149
Fund balance at beginning of year	184,669	184,669	184,669	-
Fund balance at end of year	\$184,669	\$184,669	\$192,818	\$8,149

The notes to the financial statements are an integral part of this statement.

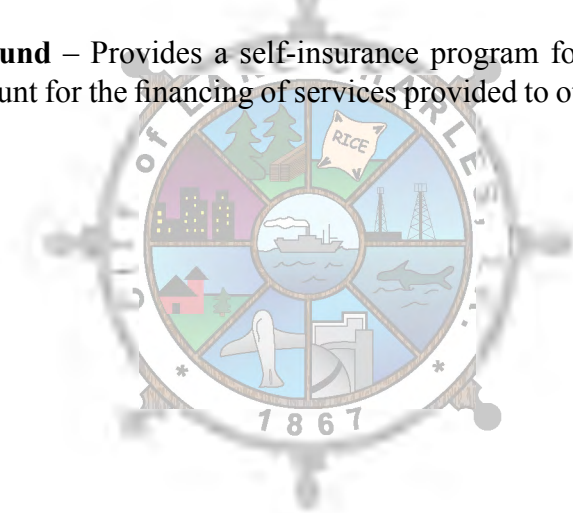
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# INTERNAL SERVICE FUNDS

**Risk Management Fund** – Includes coverage for general liability, auto liability and worker's compensation. This fund is used to account for the financing of services provided by the risk management division to other departments of the City.

**Employee Insurance Fund** – Provides a self-insurance program for employee health benefits. This fund is used to account for the financing of services provided to other departments of the City.



# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Funds Combining Statement of Net Position September 30, 2017

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2017</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 9,458,730	\$ 5,929,611	\$ 15,388,341
Investments	7,935,476	3,479,253	11,414,729
Receivables:			
Accounts	1,023,044	22	1,023,066
Accrued interest	26,564	4,152	30,716
Due from other funds	-	-	-
Prepaid expenses	576,827	-	576,827
Total current assets	<u>19,020,641</u>	<u>9,413,038</u>	<u>28,433,679</u>
Noncurrent assets:			
Capital assets (at cost):			
Machinery & equipment	35,257	-	35,257
Less accumulated depreciation	(26,802)	-	(26,802)
Total capital assets (net of accum. depr.)	<u>8,455</u>	<u>-</u>	<u>8,455</u>
Total assets	<u>19,029,096</u>	<u>9,413,038</u>	<u>28,442,134</u>
Deferred Outflows of resources	<u>162,436</u>	<u>-</u>	<u>162,436</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	65,391	16,837	82,228
Due to other funds	18	-	18
Total current liabilities	<u>65,409</u>	<u>16,837</u>	<u>82,246</u>
Long-term liabilities:			
Accrued leave benefits	129,280	-	129,280
OPEB payable	21,547	-	21,547
Net pension liability	479,463	-	479,463
Accrued insurance claims	5,019,198	1,500,000	6,519,198
Incurred-not reported claims	175,000	150,000	325,000
Accrued insurance claims - noncurrent	1,348,820	-	1,348,820
Total long-term liabilities	<u>7,173,308</u>	<u>1,650,000</u>	<u>8,823,308</u>
Total liabilities	<u>7,238,717</u>	<u>1,666,837</u>	<u>8,905,554</u>
Deferred Inflows of resources	<u>10,408</u>	<u>-</u>	<u>10,408</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,455	-	8,455
Unrestricted	11,933,952	7,746,201	19,680,153
Total net position	<u>\$ 11,942,407</u>	<u>\$ 7,746,201</u>	<u>\$ 19,688,608</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Funds

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Fiscal Year Ended September 30, 2017

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2017</u>
Operating revenues:			
Charges for services	\$ 7,514,376	\$ 8,090,913	\$ 15,605,289
Other revenues	30,860	344,193	375,053
Total operating revenues	<u>7,545,236</u>	<u>8,435,106</u>	<u>15,980,342</u>
Operating expenses:			
Personal services	649,380	83,464	732,844
Materials and supplies	6,671	12,020	18,691
General and administration	1,327,653	1,069,607	2,397,260
Depreciation	4,058	-	4,058
Claims and losses paid	2,997,919	6,180,311	9,178,230
Total operating expenses	<u>4,985,681</u>	<u>7,345,402</u>	<u>12,331,083</u>
Operating income (loss)	<u>2,559,555</u>	<u>1,089,704</u>	<u>3,649,259</u>
Nonoperating revenues:			
Interest	151,467	72,061	223,528
Total nonoperating revenues	<u>151,467</u>	<u>72,061</u>	<u>223,528</u>
Income (loss) before transfers	<u>2,711,022</u>	<u>1,161,765</u>	<u>3,872,787</u>
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,711,022	1,161,765	3,872,787
Net position - beginning of fiscal year	9,231,385	6,584,436	15,815,821
Net position - ending of fiscal year	<u>\$ 11,942,407</u>	<u>\$ 7,746,201</u>	<u>\$ 19,688,608</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Fund

### Combining Statement of Cash Flows

For the Fiscal Year Ended September 30, 2017

	Risk Management	Employee Insurance	Totals 2017
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 7,937,553	\$ 8,440,562	\$ 16,378,115
Payments to employees	(575,973)	(87,227)	(663,200)
Payments to suppliers and claimants	(4,581,396)	(7,363,596)	(11,944,992)
Internal activity - payments to other funds	(89)	-	(89)
Net cash provided by operating activities	<u>2,780,095</u>	<u>989,739</u>	<u>3,769,834</u>
<b>Cash flow from noncapital financing activities:</b>			
Operating subsidies	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flow from capital and related financing activities:</b>			
Purchase of capital assets	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flow from investing activities:</b>			
Purchase of investment securities	(7,766,649)	(1,416,433)	(9,183,082)
Proceeds from sale and maturities of investment securities	3,900,000	3,905,700	7,805,700
Interest on investments	145,985	84,165	230,150
Net cash provided (used for) investing activities	<u>(3,720,664)</u>	<u>2,573,432</u>	<u>(1,147,232)</u>
Net increase (decrease) in cash and cash equivalents	(940,569)	3,563,171	2,622,602
Cash and cash equivalents at beginning of year	10,399,299	2,366,440	12,765,739
Cash and cash equivalents at end of year	<u>\$ 9,458,730</u>	<u>\$ 5,929,611</u>	<u>\$ 15,388,341</u>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 2,559,555	\$ 1,089,704	\$ 3,649,259
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,058	-	4,058
(Increase) decrease in accounts receivable	392,317	5,456	397,773
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	198,119	-	198,119
(Increase) decrease in deferred outflows of resources	(14,158)	-	(14,158)
Increase (Decrease) in accounts payables	4,947	(5,421)	(474)
Increase (Decrease) in accrued insurance claims	(445,457)	(100,000)	(545,457)
Increase (Decrease) in compensated absences payable	21,214	-	21,214
Increase (Decrease) in OPEB liability	(733)	-	(733)
Increase (Decrease) in NP liability	56,961	-	56,961
Increase (Decrease) in due to other funds	(89)	-	(89)
Increase (Decrease) in due deferred inflows of resources	3,361	-	3,361
Total adjustments	<u>220,540</u>	<u>(99,965)</u>	<u>120,575</u>
Net cash provided by operating activities	<u>\$ 2,780,095</u>	<u>\$ 989,739</u>	<u>\$ 3,769,834</u>

#### Noncash investing, capital and financing activities:

Change in the fair value of investments resulted in an unrealized loss of \$16,882 at year-end 2017 and an unrealized loss of \$1,887 at year-end 2016.

# CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS



**CITY OF LAKE CHARLES, LOUISIANA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets		
Land	\$ 16,180,010	\$ 16,180,010
Buildings	55,652,970	54,333,362
Improvements other than buildings	72,044,795	71,619,524
Machinery and Equipment	38,224,774	36,461,806
Infrastructure	347,590,588	331,952,735
Construction in progress	<u>60,898,839</u>	<u>33,326,304</u>
Total general capital assets	<u>\$ 590,591,976</u>	<u>\$ 543,873,741</u>
Property acquired prior to October 1, 1985, excluding infrastructure	\$ 23,664,442	\$ 23,674,538
Property acquired after September 30, 1985 from:		
Federal grants	36,514,499	34,477,186
State grants	4,933,963	644,432
General fund revenues	147,032,526	95,383,659
Capital projects funds	337,067,079	350,246,413
Donations	<u>41,379,467</u>	<u>39,447,513</u>
Total investments in general capital assets	<u>\$ 590,591,976</u>	<u>\$ 543,873,741</u>

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$35,257 at 9/30/2017 and 9/30/2016 that are reported in the internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net position.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Schedule of Capital Assets - Governmental Funds**  
**By Function and Activity**  
**September 30, 2017**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements Other Than Buildings</b>	<b>Machinery and Equipment</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>GENERAL GOVERNMENT</b>							
Legislative	\$ -	\$ -	\$ -	\$ 70,671	\$ -	\$ -	\$ 70,671
Executive	-	-	-	43,586	-	-	43,586
Judicial	-	5,129,852	-	38,967	-	-	5,168,819
Total general government	-	5,129,852	-	153,224	-	-	5,283,076
<b>STAFF AGENCIES</b>							
Finance	-	-	-	10,446	-	-	10,446
Planning and development	-	-	-	93,793	-	-	93,793
Human Resources	-	-	-	15,667	-	-	15,667
Public works	214,700	926,986	187,473	1,667,493	-	-	2,996,652
Information Services	-	-	-	438,291	-	-	438,291
General government buildings	5,094,299	6,176,575	1,660,359	597,847	-	2,157	13,531,237
Total staff agencies	5,308,999	7,103,561	1,847,832	2,823,537	-	2,157	17,086,086
<b>PUBLIC SAFETY</b>							
Police	64,965	1,103,451	1,208,395	6,557,495	-	-	8,934,306
Fire	203,900	7,566,916	993,394	12,367,555	-	81,540	21,213,305
Permit Center	-	-	-	278,220	-	-	278,220
Total public safety	268,865	8,670,367	2,201,789	19,203,270	-	81,540	30,425,831
Streets	-	81,870	-	4,979,630	280,406,989	5,735,172	291,203,661
Recreation	9,301,960	5,302,141	26,553,919	2,238,793	-	192,725	43,589,538
Community service	5,000	2,549,579	432,631	2,471	-	2,558,918	5,548,599
Sanitation and waste	1,295,186	26,815,600	41,008,624	8,823,849	67,183,599	52,328,327	197,455,185
	10,602,146	34,749,190	67,995,174	16,044,743	347,590,588	60,815,142	537,796,983
Total capital assets allocated to functions	\$ 16,180,010	\$ 55,652,970	\$ 72,044,795	\$ 38,224,774	\$ 347,590,588	\$ 60,898,839	\$ 590,591,976

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$35,257 at 9/30/2017 and 9/30/2016 that are reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended September 30, 2017**

<b>Function and Activity</b>	<b>General Capital Assets 9/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>General Capital Assets 9/30/2017</b>
<b>GENERAL GOVERNMENT</b>				
Legislative	\$ 70,671	\$ -	\$ -	\$ 70,671
Executive	43,586	-	-	43,586
Judicial	5,168,819	-	-	5,168,819
Total general government	<u>5,283,076</u>	<u>-</u>	<u>-</u>	<u>5,283,076</u>
<b>STAFF AGENCIES</b>				
Finance	10,446	-	-	10,446
Planning and Development	93,793	-	-	93,793
Human Resources	15,667	-	-	15,667
Public Works	2,986,377	98,697	(88,422)	2,996,652
Information Services	438,291	-	-	438,291
General Government	<u>13,539,477</u>	<u>49,224</u>	<u>(57,464)</u>	<u>13,531,237</u>
Total staff agencies	<u>17,084,051</u>	<u>147,921</u>	<u>(145,886)</u>	<u>17,086,086</u>
<b>PUBLIC SAFETY</b>				
Police	8,657,361	817,185	(540,240)	8,934,306
Fire	20,966,457	277,058	(30,210)	21,213,305
Permit Center	<u>250,485</u>	<u>57,388</u>	<u>(29,653)</u>	<u>278,220</u>
Total public safety	<u>29,874,303</u>	<u>1,151,631</u>	<u>(600,103)</u>	<u>30,425,831</u>
Streets	284,166,516	9,578,407	(2,541,262)	291,203,661
Recreation	43,316,923	1,761,313	(1,474,698)	43,603,538
Community service	5,393,537	156,834	(1,772)	5,548,599
Sanitation and waste	<u>158,755,335</u>	<u>47,385,524</u>	<u>(8,699,674)</u>	<u>197,441,185</u>
	<u>491,632,311</u>	<u>58,882,078</u>	<u>(12,717,406)</u>	<u>537,796,983</u>
Total capital assets allocated to functions	<u>\$ 543,873,741</u>	<u>\$ 60,181,630</u>	<u>\$ (13,463,395)</u>	<u>\$ 590,591,976</u>

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$35,257 on 9/30/2017 and 9/30/2016 that are reported in the internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net position.

# STATISTICAL SECTION

This part of the City of Lake Charles' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's overall financial health.

## **Contents**

### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess government's more significant local revenue sources.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Except where noted, the information in these schedules is derived from the City of Lake Charles' comprehensive annual financial reports for the relative year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning that year.

**CITY OF LAKE CHARLES, LOUISIANA**

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 200,193	\$ 204,550	\$ 216,618	\$ 223,583
Restricted	42,220	30,622	60,553	51,978
Unrestricted	48,188	62,216	31,362	44,864
Total governmental activities net assets	<u>\$ 290,601</u>	<u>\$ 297,388</u>	<u>\$ 308,533</u>	<u>\$ 320,425</u>
Net investment in capital assets	\$ 66,241	\$ 67,502	\$ 68,319	\$ 66,627
Assigned	555	2,363	2,851	5,584
Total governmental activities net assets	<u>\$ 66,796</u>	<u>\$ 69,865</u>	<u>\$ 71,170</u>	<u>\$ 72,211</u>
Primary Government				
Net investment in capital assets	\$ 266,434	\$ 272,052	\$ 284,937	\$ 290,210
Restricted	42,220	30,622	60,553	51,978
Unrestricted	48,743	64,579	34,213	50,448
Total governmental activities net assets	<u>\$ 357,397</u>	<u>\$ 367,253</u>	<u>\$ 379,703</u>	<u>\$ 392,636</u>

\* GASB 68 adopted in 2015

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 228,301	\$ 230,614	\$ 240,382	\$ 243,940	\$ 259,977	\$ 294,028
31,734	23,169	22,757	24,596	31,273	33,409
72,112	90,900	54,000	72,792	77,180	61,863
<u>\$ 332,147</u>	<u>\$ 344,683</u>	<u>\$ 317,139</u>	<u>\$ 341,328</u>	<u>\$ 368,430</u>	<u>\$ 389,300</u>
\$ 68,959	\$ 68,562	\$ 70,785	\$ 69,095	\$ 68,622	\$ 69,202
7,909	11,729	17,502	22,049	24,166	25,356
<u>\$ 76,868</u>	<u>\$ 80,291</u>	<u>\$ 88,287</u>	<u>\$ 91,144</u>	<u>\$ 92,788</u>	<u>\$ 94,558</u>
\$ 297,260	\$ 299,176	\$ 311,167	\$ 313,035	\$ 328,599	\$ 363,230
31,734	23,169	22,757	24,596	31,273	33,409
80,021	102,629	71,502	94,841	101,346	87,219
<u>\$ 409,015</u>	<u>\$ 424,974</u>	<u>\$ 405,426</u>	<u>\$ 432,472</u>	<u>\$ 461,218</u>	<u>\$ 483,858</u>

# CITY OF LAKE CHARLES, LOUISIANA

Change in Net Position

(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,158,299	\$ 4,428,106	\$ 4,565,486	\$ 4,585,082	\$ 4,644,212	\$ 4,567,288	\$ 4,778,135	\$ 5,316,267	\$ 5,612,894	\$ 5,812,852
Public safety	28,400,481	30,691,441	29,211,079	28,681,562	30,667,312	31,412,865	32,257,586	33,401,455	36,589,474	37,722,822
Public works	26,341,091	26,204,810	24,948,706	30,294,422	29,047,659	28,841,269	30,295,303	32,980,130	34,279,219	42,253,530
Planning and development	3,011,317	2,420,483	2,855,462	3,195,533	2,981,902	2,991,321	2,663,000	2,672,381	2,521,348	2,656,677
General services	5,201,297	7,819,930	7,327,977	4,384,287	5,428,845	5,687,941	5,659,656	6,021,391	5,838,645	6,507,033
Community services	5,658,398	6,101,747	5,699,264	6,936,038	6,730,143	6,174,061	6,350,062	6,668,047	7,191,241	6,158,706
Interest in long-term debt	2,850,831	2,703,667	3,396,559	3,935,479	4,053,332	3,409,036	3,203,842	3,138,628	2,703,865	3,149,772
Total governmental activities	75,621,714	80,370,184	78,004,533	82,012,403	83,553,405	83,083,781	85,207,584	90,198,299	94,736,686	104,261,392
Business-type activities:										
Civic center	3,274,154	3,265,481	3,734,478	3,575,028	3,356,078	3,014,670	3,091,611	3,365,531	3,949,094	3,788,824
Golf course	1,247,986	1,480,511	1,432,343	1,495,425	1,489,217	1,539,186	1,612,629	1,648,783	1,680,137	1,718,210
Transit	2,540,820	2,359,228	2,038,547	2,215,223	2,298,862	2,354,540	2,714,383	2,917,813	3,066,511	3,361,381
Water	8,829,630	9,139,256	8,645,421	8,948,287	8,980,994	9,181,423	9,622,826	9,890,095	10,173,955	10,845,330
Total business-type activities	15,892,590	16,244,476	15,850,789	16,233,963	16,125,151	16,089,819	17,041,449	17,822,222	18,869,697	19,713,745
Total primary government	\$ 91,514,304	\$ 96,614,660	\$ 93,855,322	\$ 98,246,366	\$ 99,678,556	\$ 99,173,600	\$ 102,249,033	\$ 108,020,521	\$ 113,606,383	\$ 123,975,137
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 4,855,947	\$ 5,126,923	\$ 5,091,090	\$ 5,432,955	\$ 5,067,281	\$ 5,497,834	\$ 5,423,120	\$ 5,730,156	\$ 5,997,403	\$ 6,195,338
Public works	8,066,296	8,215,969	9,006,678	10,317,926	11,146,171	11,767,500	12,706,586	13,459,995	13,438,315	13,486,598
Other activities	1,165,914	911,091	1,030,878	1,123,347	1,106,880	1,108,756	996,480	744,123	751,477	753,544
Operating grants and contributions	5,920,889	3,801,382	4,426,140	4,505,960	5,037,836	5,237,139	4,428,311	4,675,984	4,002,036	5,142,923
Capital grants and contributions	2,917,678	4,913,193	5,685,329	5,843,875	2,991,355	3,949,165	7,243,043	5,516,540	8,346,684	4,838,875
Total govmtl activity prgrm revenues	22,926,724	22,968,558	25,240,115	27,224,063	25,349,523	27,560,394	30,797,540	30,126,798	32,535,915	30,417,278
Business-type activities:										
Charges for services:										
Civic center	915,970	1,047,163	930,113	968,296	975,050	941,963	968,322	1,000,078	1,138,735	971,360
Golf course	985,883	1,126,764	905,153	928,512	844,392	974,094	1,046,272	1,012,359	992,086	903,040
Transit	83,792	62,810	81,418	98,804	115,597	111,750	189,754	184,332	189,931	191,826
Water	6,936,227	7,586,073	8,925,396	10,333,108	10,657,748	11,327,208	12,066,695	12,687,985	12,300,282	13,215,887
Operating grants and contributions	1,157,412	1,198,730	1,307,484	1,411,923	1,422,853	1,515,747	1,647,581	2,303,705	2,834,655	2,751,946
Capital grants and contributions	1,213,667	1,510,505	1,698,748	736,314	3,184,780	541,173	7,795,194	801,268	266,752	261,931
Total busnss-type prgrm revens	11,292,951	12,532,045	13,848,312	14,476,957	17,200,420	15,411,935	23,713,818	17,989,727	17,722,441	18,295,990
Total primary government program	\$ 34,219,675	\$ 35,500,603	\$ 39,088,427	\$ 41,701,020	\$ 42,549,943	\$ 42,972,329	\$ 54,511,358	\$ 48,116,525	\$ 50,258,356	\$ 48,713,268

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (52,694,990)	\$ (57,401,626)	\$ (52,764,418)	\$ (54,788,340)	\$ (58,203,882)	\$ (55,523,387)	\$ (54,410,044)	\$ (60,071,501)	\$ (62,200,771)	\$ (73,844,114)
Business-type activities	(4,599,639)	(3,712,431)	(2,002,477)	(1,757,006)	1,075,269	(677,884)	6,672,369	167,505	(1,147,256)	(1,417,755)
Total primary government net expenses	<u>\$ (57,294,629)</u>	<u>\$ (61,114,057)</u>	<u>\$ (54,766,895)</u>	<u>\$ (56,545,346)</u>	<u>\$ (57,128,613)</u>	<u>\$ (56,201,271)</u>	<u>\$ (47,737,675)</u>	<u>\$ (59,903,996)</u>	<u>\$ (63,348,027)</u>	<u>\$ (75,261,869)</u>

#### General Revenues and Other Changes in Net Assets

<b>Governmental activities</b>										
Taxes										
Property taxes	\$ 6,612,603	\$ 7,348,241	\$ 7,489,471	\$ 7,923,348	\$ 7,707,653	\$ 8,176,273	\$ 8,631,895	\$ 9,163,826	\$ 10,217,089	\$ 10,616,469
Sales taxes	45,584,783	45,149,671	41,685,781	43,127,692	45,659,894	46,717,755	50,519,838	54,786,123	60,570,243	64,596,373
Franchise taxes	6,842,265	5,446,301	5,702,863	5,787,057	4,873,591	5,420,601	5,952,906	5,736,856	5,472,965	5,722,675
Riverboat taxes	8,399,666	9,099,020	8,959,034	9,113,904	9,713,282	9,691,942	9,664,375	11,054,210	10,799,768	10,657,944
Grants and contributions not restricted to specific programs	195,018	201,846	198,471	190,806	3,462,831	181,836	185,172	180,867	194,470	227,691
Interest and investment earnings	4,781,799	2,638,358	1,728,068	1,089,127	575,503	62,044	671,283	965,038	834,331	1,162,105
Miscellaneous	3,717,359	859,064	1,206,950	2,194,144	1,479,307	1,922,170	3,024,050	4,722,125	3,730,355	4,666,850
Gain (loss) on sales of capital assets	67,296	-	-	-	-	-	-	-	-	-
Transfers	(6,378,347)	(6,554,391)	(3,060,758)	(2,746,015)	(3,545,790)	(4,113,925)	(3,645,582)	(2,348,768)	(2,515,786)	(2,935,905)
Total governmental activities	<u>69,822,442</u>	<u>64,188,110</u>	<u>63,909,880</u>	<u>66,680,063</u>	<u>69,926,271</u>	<u>68,058,696</u>	<u>75,003,937</u>	<u>84,260,277</u>	<u>89,303,435</u>	<u>94,714,202</u>
Business-type activities:										
Grants and contributions not restricted to specific programs										
	200,000	200,000	200,000	-	-	-	-	-	-	-
Interest and investment earnings	181,262	26,597	46,565	52,549	35,695	(12,505)	81,712	227,141	133,929	251,993
Miscellaneous	252,500	-	-	-	-	-	-	113,376	141,451	-
Gain (loss) on sales of capital assets	(497,393)	-	-	-	-	-	-	-	-	-
Transfers	6,378,347	6,554,391	3,060,758	2,746,015	3,545,790	4,113,925	3,645,582	2,348,768	2,515,786	2,935,905
Total business type activities	<u>6,514,716</u>	<u>6,780,988</u>	<u>3,307,323</u>	<u>2,798,564</u>	<u>3,581,485</u>	<u>4,101,420</u>	<u>3,727,294</u>	<u>2,689,285</u>	<u>2,791,166</u>	<u>3,187,898</u>
Total primary government	<u>\$ 76,337,158</u>	<u>\$ 70,969,098</u>	<u>\$ 67,217,203</u>	<u>\$ 69,478,627</u>	<u>\$ 73,507,756</u>	<u>\$ 72,160,116</u>	<u>\$ 78,731,231</u>	<u>\$ 86,949,562</u>	<u>\$ 92,094,601</u>	<u>\$ 97,902,100</u>

#### Change in Net Assets

Governmental activities	\$ 17,127,452	\$ 6,786,484	\$ 11,145,462	\$ 11,891,723	\$ 11,722,389	\$ 12,535,309	\$ 20,593,893	\$ 24,188,776	\$ 27,102,664	\$ 20,870,088
Business-type activities	1,915,077	3,068,557	1,304,846	1,041,558	4,656,754	3,423,536	10,399,663	2,856,790	1,643,910	1,770,143
Total primary government	<u>\$ 19,042,529</u>	<u>\$ 9,855,041</u>	<u>\$ 12,450,308</u>	<u>\$ 12,933,281</u>	<u>\$ 16,379,143</u>	<u>\$ 15,958,845</u>	<u>\$ 30,993,556</u>	<u>\$ 27,045,566</u>	<u>\$ 28,746,574</u>	<u>\$ 22,640,231</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
Governmental Activities Tax and Other Revenues by Source  
Last Ten Fiscal Years  
(accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>One Percent Sales Tax (1965)</b>	<b>* Additional One Percent Sales Tax (1987)</b>	<b>Employee's Pay Quarter cent Sales Tax (1995)</b>	<b>One-Quarter Cent Sales Tax Debt Reserve Fund</b>
2008	\$ 6,612,603	\$ 20,048,716	\$ 20,048,779	\$ 5,012,194	\$ -
2009	7,348,241	19,767,418	19,767,417	4,932,015	-
2010	7,489,471	18,382,454	18,382,454	4,595,619	-
2011	7,923,348	18,994,509	18,994,509	4,750,340	-
2012	7,707,653	19,940,426	19,940,425	4,985,113	-
2013	8,176,273	20,638,460	20,638,461	5,159,621	-
2014	8,631,895	22,309,909	22,309,909	5,577,484	-
2015	9,163,826	24,233,672	24,233,672	6,058,418	-
2016	10,217,089	24,759,696	24,759,696	6,189,924	4,571,836
2017	10,616,469	25,695,368	25,695,368	6,423,849	6,372,113

\* Sales tax levy above dedicates 28 percent of collections to Capital Projects of which 60 percent can be used for debt service

Notes: Beginning fiscal year 2007, the City has entered into a Cooperative Endeavor Agreement with the Calcasieu Parish Policy Jury to pool gaming on a parish-wide basis.  
Golden Nugget Casino opened in December 2014.  
2009 property tax revenues reflect the reassessment of property in 2008.  
2013 property tax revenues reflect the reassessment of property in 2012.  
2017 property tax revenues reflect the reassessment of property in 2016.  
2016 15 year quarter cent sales tax began January 2016

**Monthly Sales Tax Receipts 28% Dedicated to Capital Projects (included in above)**

<b>Collection Month</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
November	\$ 457,279	\$ 455,770	\$ 392,024	\$ 426,589	\$ 405,728
December	451,762	465,968	411,697	420,851	393,645
January	598,144	622,484	542,866	553,457	588,320
February	424,821	418,689	369,537	386,115	511,944
March	431,582	409,673	413,601	420,739	436,991
April	508,343	545,560	476,895	478,140	498,970
May	444,422	437,274	411,099	438,799	438,287
June	460,165	425,190	418,131	423,997	466,481
July	489,610	467,518	454,755	467,521	478,381
August	486,688	424,589	411,539	426,331	443,114
September	416,796	428,762	417,784	443,151	467,114
October	444,037	433,399	427,158	432,773	454,344
Total	<u>\$ 5,613,650</u>	<u>\$ 5,534,877</u>	<u>\$ 5,147,087</u>	<u>\$ 5,318,463</u>	<u>\$ 5,583,319</u>

<b>Riverboat Gaming Tax</b>	<b>Electric Utility Franchise</b>	<b>Gas Utility Franchise</b>	<b>Cable Television Franchise</b>	<b>Charges for Services User Fees Wastewater</b>
\$ 8,399,666	\$ 5,215,659	\$ 632,849	\$ 993,758	\$ 7,953,166
9,099,020	3,964,234	588,931	893,136	8,149,099
8,959,034	4,183,356	590,275	929,232	8,934,311
9,113,904	4,346,623	483,307	957,127	10,191,203
9,713,282	3,463,387	405,302	1,004,902	11,001,880
9,691,942	4,009,040	396,650	1,014,911	11,601,657
9,664,375	4,442,183	474,212	1,036,511	12,519,677
11,054,210	4,339,524	420,979	976,353	13,323,763
10,799,768	4,098,903	360,464	1,013,598	13,281,720
10,657,944	4,295,722	406,840	1,020,114	13,221,450

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 439,768	\$ 451,838	\$ 529,736	\$ 535,012	\$ 544,564
446,902	523,949	541,692	533,725	564,660
580,761	609,804	702,020	694,329	730,672
424,817	425,861	500,766	512,445	527,052
447,863	474,515	514,014	519,495	520,045
521,802	528,496	617,823	652,316	665,259
470,869	529,857	540,169	548,264	591,265
493,820	526,757	547,963	565,631	597,337
497,303	538,256	598,577	611,634	686,415
487,062	519,849	577,527	611,509	571,248
487,685	513,189	549,074	557,614	583,584
480,117	604,404	566,067	590,743	612,602
<u>\$ 5,778,769</u>	<u>\$ 6,246,775</u>	<u>\$ 6,785,428</u>	<u>\$ 6,932,717</u>	<u>\$ 7,194,703</u>

**CITY OF LAKE CHARLES, LOUISIANA**

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 3,289,392	\$ 230,186	\$ 297,834							
Unreserved	28,820,688	28,007,800	25,483,998							
Nonspendable				\$ 486,580	\$ 543,389	\$ 478,983	\$ 525,480	\$ 621,486	\$ 666,530	\$ 684,120
Committed				2,895,603	2,567,929	2,363,360	2,853,169	2,413,358	2,061,843	3,561,194
Unassigned				21,932,680	22,245,646	23,053,203	25,996,329	28,338,533	27,297,165	30,764,493
Total General Fund	<u>32,110,080</u>	<u>28,237,986</u>	<u>25,781,832</u>	<u>25,314,863</u>	<u>25,356,964</u>	<u>25,895,546</u>	<u>29,374,978</u>	<u>31,373,377</u>	<u>30,025,538</u>	<u>35,009,807</u>
All other governmental funds										
Reserved	23,285,955	19,013,569	16,022,853							
Unreserved, reported in:										
Special revenue funds	8,778,666	12,922,418	14,598,101							
Capital projects funds	51,085,939	43,174,593	77,320,653							
Nonspendable				27,460	51,623	50,925	30,840	46,917	48,896	62,165
Restricted				44,338,979	31,731,731	23,962,211	22,754,774	24,595,560	31,272,991	33,409,232
Committed				51,269,454	50,934,223	57,358,834	57,603,158	65,108,250	72,116,986	55,063,188
Assigned				8,388,325	12,033,195	7,674,979	10,491,959	13,392,519	9,851,745	8,994,330
Total all other governmental funds	<u>83,150,560</u>	<u>75,110,580</u>	<u>107,941,607</u>	<u>104,024,218</u>	<u>94,750,772</u>	<u>89,046,949</u>	<u>90,880,731</u>	<u>103,143,246</u>	<u>113,290,618</u>	<u>97,528,915</u>
Total all governmental funds	<u>\$ 115,260,640</u>	<u>\$ 103,348,566</u>	<u>\$ 133,723,439</u>	<u>\$ 129,339,081</u>	<u>\$ 120,107,736</u>	<u>\$ 114,942,495</u>	<u>\$ 120,255,709</u>	<u>\$ 134,516,623</u>	<u>\$ 143,316,156</u>	<u>\$ 132,538,722</u>

\* The increases in fund balance in fiscal year 2010 are due primarily to unspent bond proceeds received during the period for capital projects and spent in future years.

\* Note GASB 54 adopted in 2011.

\* GASB 68 adopted in 2015

# CITY OF LAKE CHARLES, LOUISIANA

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>Revenues:</b>										
Taxes	\$ 62,863,828	\$ 63,906,886	\$ 60,681,304	\$ 62,638,371	\$ 65,208,410	\$ 67,508,949	\$ 71,638,915	\$ 77,964,674	\$ 81,278,866	\$ 88,826,340
Licenses and permits	7,635,503	6,104,766	6,357,695	6,633,096	5,526,807	6,349,383	6,686,060	6,657,120	9,940,761	6,597,424
Intergovernmental	9,417,429	8,851,035	10,830,886	10,759,547	8,264,523	9,752,774	12,275,671	10,364,017	12,965,781	10,603,497
Charges for services	10,232,457	10,440,834	11,300,612	13,134,106	13,680,453	14,375,194	15,290,879	16,016,725	16,050,508	16,286,940
Fines and forfeitures	306,694	322,461	338,073	383,267	311,388	247,061	253,920	195,139	186,042	301,103
Miscellaneous	6,600,618	4,582,043	2,708,846	2,826,993	2,351,245	1,888,663	1,695,540	3,064,934	1,632,574	2,154,234
Total revenues	97,056,529	94,208,025	92,217,416	96,375,380	95,342,826	100,122,024	107,840,985	114,262,609	122,054,532	124,769,538
<b>Expenditures:</b>										
Current operating:										
General government	2,449,791	2,598,746	2,727,390	2,857,662	2,876,353	2,892,999	2,945,962	3,016,207	3,059,233	3,204,360
Finance	1,352,358	1,389,805	1,496,010	1,488,859	1,498,360	1,524,491	1,594,704	1,610,407	1,739,594	1,714,273
Human Resources	288,724	317,809	352,726	313,428	312,168	309,113	339,091	367,152	374,721	397,613
Fire	12,634,153	13,074,636	12,729,943	12,940,071	13,293,542	13,523,625	14,481,544	14,493,469	14,938,379	15,870,091
Police	14,094,524	14,196,539	15,775,008	16,200,141	17,108,345	18,311,542	17,911,230	18,096,917	18,530,921	19,770,508
Public works	20,648,106	20,039,183	20,272,640	20,324,226	21,183,964	21,449,006	22,045,127	22,093,947	23,986,800	26,421,585
Planning and development	2,805,009	2,305,258	2,596,371	3,028,735	2,785,459	2,793,690	2,535,761	2,679,361	2,521,354	2,611,276
Community services	4,662,889	4,545,957	4,780,142	4,721,208	4,913,007	5,516,244	5,343,835	5,389,074	5,509,270	5,998,397
General services	5,554,769	4,254,079	4,096,854	4,168,195	4,127,074	4,453,969	4,253,097	4,415,871	4,629,048	4,788,886
Capital projects	19,136,059	28,093,724	24,458,504	25,022,530	27,249,392	21,031,285	18,090,669	14,829,729	33,685,525	50,470,051
Debt service:										
Principal retirement	3,637,281	3,991,176	6,427,242	5,449,519	5,836,224	6,947,090	6,790,771	5,405,386	5,722,670	6,664,637
Bond issuance costs	-	-	1,414,680	147,128	-	-	-	-	-	-
Interest and fiscal charges	2,905,960	2,758,796	2,109,632	3,982,945	4,247,927	3,603,630	3,398,436	4,591,559	2,854,289	2,719,730
Total expenditures	90,169,623	97,565,708	99,237,142	100,644,647	105,431,815	102,356,684	99,730,227	96,989,079	117,551,804	140,631,407
Excess (deficiency) of revenues over expenditures	6,886,906	(3,357,683)	(7,019,726)	(4,269,267)	(10,088,989)	(2,234,660)	8,110,758	17,273,530	4,502,728	(15,861,869)
<b>Other financing sources (uses):</b>										
Transfers in	17,610,913	17,216,245	14,552,013	15,153,082	19,551,176	21,967,386	21,798,979	21,876,158	41,585,711	26,615,768
Transfers out	(24,489,260)	(25,770,636)	(18,612,300)	(18,982,135)	(22,915,600)	(25,731,311)	(24,694,561)	(26,354,532)	(44,101,497)	(29,551,673)
Issuance of debt - refunding bonds	-	-	-	-	-	-	-	15,825,000	-	24,140,000
Issuance of debt	-	-	57,015,000	3,713,962	4,222,067	833,344	98,037	-	6,812,591	8,012,943
Premium on debt issuance	-	-	2,174,886	-	-	-	-	906,376	-	3,687,728
Bond refunding-cost of issuance	-	-	-	-	-	-	-	(270,617)	-	(378,726)
Pymnt refunded bond escrw-current	-	-	-	-	-	-	-	-	-	(5,920,000)
Pymnt refunded bond escrw-advanc	-	-	(17,735,000)	-	-	-	-	(14,995,000)	-	(19,720,000)
Pymnt refunded bond escrw-interest	-	-	-	-	-	-	-	-	-	(1,801,605)
Total other financing sources(uses)	(6,878,347)	(8,554,391)	37,394,599	(115,091)	857,643	(2,930,581)	(2,797,545)	(3,012,615)	4,296,805	5,084,435
Net change in fund balances	\$ 8,559	\$ (11,912,074)	\$ 30,374,873	\$ (4,384,358)	\$ (9,231,346)	\$ (5,165,241)	\$ 5,313,213	\$ 14,260,915	\$ 8,799,533	\$ (10,777,434)
Debt service as a percentage of noncapital expenditures	9.59%	9.37%	11.18%	12.29%	13.53%	13.24%	12.90%	12.29%	10.47%	10.23%

## Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	One Percent Sales Tax ('65)	Additional One Percent Sales Tax ('87)	Employee's Pay Quarter cent Sales Tax ('95)	One-Quarter Cent Sales Tax Debt Reserve Fund	Riverboat Gaming Tax	Electric Utility Franchise	Gas Utility Franchise	Cable Television Franchise
2008	\$ 6,612,603	\$ 20,048,716	\$ 20,048,779	\$ 5,012,194	\$ -	\$ 8,399,666	\$ 5,215,659	\$ 632,849	\$ 993,758
2009	7,348,241	19,767,418	19,767,417	4,932,015	-	9,099,020	3,964,234	588,931	893,136
2010	7,489,471	18,382,454	18,382,454	4,595,619	-	8,959,034	4,183,356	590,275	929,232
2011	7,923,348	18,994,509	18,994,509	4,750,340	-	9,113,904	4,346,623	483,307	957,127
2012	7,707,653	19,940,426	19,940,425	4,985,113	-	9,713,282	3,463,387	405,302	1,004,902
2013	8,176,273	20,638,460	20,638,461	5,159,621	-	9,691,942	4,009,040	396,650	1,014,911
2014	8,631,895	22,309,909	22,309,909	5,577,484	-	9,664,375	4,442,183	474,212	1,036,511
2015	9,163,826	24,233,672	24,233,672	6,058,418	-	11,054,210	4,339,524	420,979	976,353
2016	10,217,089	24,759,696	24,759,696	6,189,924	4,571,836	10,799,768	4,098,903	360,464	1,013,598
2017	10,616,469	25,695,368	25,695,368	6,423,849	6,372,113	10,657,944	4,295,722	406,840	1,020,114

**CITY OF LAKE CHARLES, LOUISIANA**  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	Real Property and Mobile		Personal, Business Industry	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2008	2007	\$ 295,823,700	\$ 2,958,237,000	\$ 114,102,720	\$ 760,684,800
2009	2008	352,041,171	3,520,411,710	116,471,700	776,478,000
2010	2009	362,072,150	3,620,721,500	109,775,460	731,836,400
2011	2010	368,075,460	3,680,756,600	113,615,250	757,435,000
2012	2011	371,813,160	3,718,131,600	111,831,890	745,545,933
2013	2012	408,917,100	4,089,171,000	106,665,010	711,100,067
2014	2013	432,041,780	4,320,417,800	148,418,710	989,458,067
2015	2014	483,192,030	4,831,920,800	168,282,760	1,121,835,067
2016	2015	516,842,790	5,168,427,900	164,358,110	1,095,720,733
2017	2016	541,069,351	5,410,693,510	159,795,020	1,065,300,133

Note:

- (1) Ratios of assessed valuation to actual value are established by state law. Assessment ratios currently applicable to various classes of property are as follows:

10% - Land and residential improvements  
15% - Commercial improvements  
15% - Personal property  
25% - Public Utilities

- (2) All property assessments are made by the Calcasieu Parish Assessor or the Louisiana Tax Commission. Required reassessments of all properties were made in 2008, 2012 and 2016.

Source: Calcasieu Parish Sheriff & Tax Collector

Public Utilities		Total all Property		Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
\$ 18,450,920	\$ 73,803,680	\$ 428,377,340	\$ 3,792,725,480	16.09	11.29%
18,738,980	74,955,920	487,251,851	4,371,845,630	15.35	11.00%
18,833,580	75,334,320	490,681,190	4,427,892,220	15.35	11.08%
19,094,820	76,379,280	500,785,530	4,514,570,880	15.35	11.09%
16,539,480	66,157,920	500,184,530	4,529,835,453	15.35	11.04%
17,706,110	70,824,440	533,288,220	4,871,095,507	15.35	10.95%
18,114,470	72,457,880	598,574,960	5,382,333,747	15.35	11.12%
17,272,840	71,272,840	669,293,050	6,025,078,707	15.35	11.11%
19,543,930	78,175,720	700,744,830	6,342,324,353	15.35	11.05%
19,986,390	79,945,560	720,850,761	6,555,939,203	15.23	11.00%

# CITY OF LAKE CHARLES, LOUISIANA

Property Tax Millage Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Calendar Year	Fiscal Year	City of Lake Charles		Calcasieu Parish School Board			Calcasieu Parish							
		General and Special Revenue		Debt			Parish		Recreation		Airport		Parish	
		Funds	Total	General Fund	Service Funds	Total	Police Jury	Road Districts	Gravity Drainage	and Com Centers	Fire Protection	Harbor & Terminal	Water & Sewer	Parish Total
2007	2008	16.09	16.09	18.72	27.50	46.22	41.5	3.88	5.79	7.00	11.54	8.80	18.14	96.95
2008	2009	15.35	15.35	18.72	24.00	42.72	39.28	3.67	5.29	7.00	11.08	8.34	18.46	93.12
2009	2010	15.35	15.35	18.72	24.00	42.72	33.02	3.67	5.79	5.65	11.08	8.34	15.59	83.14
2010	2011	15.35	15.35	18.72	24.00	42.72	33.02	3.67	5.79	4.79	11.08	8.34	15.59	82.28
2011	2012	15.35	15.35	18.72	24.00	42.04	33.82	3.53	5.57	5.77	10.85	8.14	15.37	83.05
2012	2013	15.35	15.35	18.04	22.60	40.64	34.01	3.53	5.57	5.77	10.85	8.14	15.37	83.24
2013	2014	15.35	15.35	18.04	22.20	40.24	34.78	4.06	5.57	5.32	10.85	8.14	15.37	84.09
2014	2015	15.35	15.35	18.04	22.20	40.24	35.46	4.06	5.57	7.40	10.85	8.19	15.37	86.90
2015	2016	15.23	15.23	17.23	21.00	38.23	32.86	3.88	5.79	7.93	11.54	8.58	12.51	83.09
2016	2017	15.23	15.23	17.23	21.00	38.23	34.29	3.88	5.79	7.59	11.54	8.58	12.43	84.10

Source: Information obtained from Calcasieu Parish Tax Assessor

Note: Overlapping rates are those of local governmental entities that apply to property owners within the City of Lake Charles. Not all overlapping rates apply to all property owners.

# CITY OF LAKE CHARLES, LOUISIANA

## Principal Property Taxpayers

Tax Year December 31, 2016 and December 31, 2007

for Fiscal Year Ended September 30, 2017 and September 30, 2008

Taxpayer	Type of Business	2017			2008		
		Assessed Valuation 2016	Rank	Percentage of Total Valuation	Assessed Valuation 2007	Rank	Percentage of Total Valuation
Golden Nugget Lake Charles LLC	Hotel/Casino	\$54,725,790	1	7.59 %			
PNK (Lake Charles) LLC	Hotel/Casino	44,004,940	2	6.10 %	35,946,860	1	7.37 %
Entergy Gulf States Louisiana LLC	Electric Utility	11,322,620	3	0.87 %	6,492,560	4	1.33 %
IFG Port Holdings, LLC	Warehousing and Storage	6,243,470	4	0.65 %			
JP Morgan Chase Bank NA	Bank	4,700,180	5	1.57 %	3,332,480	9	0.68 %
Wal-Mart Real Estate Business Trust	Retail	4,380,130	6	0.61 %	8,345,010	3	1.71 %
Women & Children's Hospital LLC	Hospital	3,529,150	7	0.49 %	4,456,090	6	0.91 %
Bolton Ford LLC	Automotive Dealership	3,282,320	8	0.46 %			
Carboline CO	Petrochemical Manufacturing	2,955,690	9	0.41 %			
Crowley Marine Services	Facilities Support Services	2,911,090	10	0.40 %			
Bell South Telecommunications	Telephone	-			9,015,720	2	1.85 %
Capital One NA * Hibernia in 2002	Bank	-			5,643,400	5	1.16 %
Harrah's Entertainment Inc * Players in 1998	Riverboat Casino	-			3,511,760	7	0.72 %
Cameron State Bank	Bank	-			3,415,940	8	0.70 %
Firestone Synthetic Rubber	Petrochemical Manufacturing	-			3,316,970	10	0.68 %
		<u>\$138,055,380</u>		<u>19.15%</u>	<u>\$83,476,790</u>		<u>17.11%</u>
2017 Total city valuation:	\$	720,850,761					
2008 Total city valuation:	\$	487,519,852					

Source: Calcasieu Parish Tax Collector

# CITY OF LAKE CHARLES, LOUISIANA

## Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Tax Year	Total Tax Levy	Less: Cancellations and Reductions		Net Tax Levy
2008	2007	\$ 6,896,377	\$	83,620	\$ 6,812,757
2009	2008	7,483,466		144,030	7,339,436
2010	2009	7,534,395		46,098	7,488,297
2011	2010	7,692,549		60,903	7,631,646
2012	2011	7,648,874		44,979	7,603,895
2013	2012	8,150,758		48,846	8,101,912
2014	2013	8,613,145		47,999	8,565,146
2015	2014	9,142,203		58,897	9,083,306
2016	2015	10,283,298		57,120	10,226,178
2017	2016	10,684,965		62,362	10,622,603

Source: Calcasieu Parish Sheriff & Tax Collector

Less: Outstanding Delinquent Taxes	Net Total Taxes Collected	Percent of Net Taxes Collected	Percent of Delinquent Taxes to Net Levy
\$ 79,015	\$ 6,733,742	98.84 %	1.16 %
58,377	7,281,059	99.20	0.80
48,697	7,439,600	99.35	0.65
35,458	7,596,188	99.54	0.46
18,208	7,585,687	99.76	0.24
21,530	8,080,382	99.73	0.27
24,951	8,540,195	99.71	0.29
20,265	9,063,041	99.78	0.22
34,563	10,191,615	99.66	0.34
34,374	10,588,229	99.68	0.32

# CITY OF LAKE CHARLES, LOUISIANA

Sales Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Calendar Year	Fiscal Year	City of Lake Charles							Calcasieu Parish			State of Louisiana		
		General Fund	Dedicated 1%		Waste Water	Recreation	Capital Project	Employee's Pay	School Board		Law Enforcement	General	Tourism Promotion	Total
			Public Safety	Public Works					General	Salaries				
2008	2009	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2009	2010	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2010	2011	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2011	2012	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2012	2013	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2013	2014	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2014	2015	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%
2015	2016	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	<sup>+</sup> 0.25%	1.50%	<sup>*</sup> 1.00%	0.75%	3.97%	0.03%	9.25%
2016	2017	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	<sup>+</sup> 0.50%	1.50%	1.00%	0.75%	<sup>**</sup> 4.97%	0.03%	10.75%
2017	2018	1.00%	0.20%	0.28%	0.16%	0.08%	0.28%	<sup>+</sup> 0.50%	1.50%	1.00%	0.75%	<sup>**</sup> 4.97%	0.03%	10.75%

\*Rate increased from 0.50% to 1.00% July 1, 2015

<sup>+</sup>Rate increased from 0.25% to 0.50% January 1, 2016

<sup>\*\*</sup>Rate increased from 3.97% to 4.97% April 1, 2016

Source: Information obtained from Calcasieu Parish Sales and Use Tax office.

# CITY OF LAKE CHARLES, LOUISIANA

Principal Sales Taxpayers

Tax Year June 30, 2016 and June 30, 2007

for Fiscal Year Ended September 30, 2017 and September 30, 2008

<u>Type of Business</u>	<u>2017</u>			<u>2008</u>		
	<u>Tax Paid</u>	<u>Rank</u>	<u>Percentage of Total Valuation</u>	<u>Tax Paid</u>	<u>Rank</u>	<u>Percentage of Total Valuation</u>
Retail	\$5,844,570	1	9.10%	\$6,423,577	1	14.29%
Government	3,060,502	2	4.76%	2,706,770	2	6.02%
Hotel and Casino	1,850,107	3	2.88%	-	-	-
Hotel and Casino	1,309,336	4	2.04%	1,130,368	3	2.52%
Grocery	1,055,333	5	1.64%	848,971	5	1.89%
Health Care	929,775	6	1.45%	618,965	8	1.38%
Building Supply	898,679	7	1.40%	968,283	4	2.15%
Building Supply	628,982	8	0.98%	740,079	7	1.65%
Retail	586,831	9	0.91%	768,557.64	6	1.71%
Grocery	574,103	10	0.89%	618,849.98	9	1.38%
Retail	-	-	-	464,367	10	1.03%
	<u>\$ 16,738,218</u>		<u>26.06%</u>	<u>\$ 15,288,788</u>		<u>34.02%</u>

2017 Total sales tax: \$ 64,231,599

2008 Total sales tax: \$ 44,942,517

**CITY OF LAKE CHARLES, LOUISIANA**

Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year	Bonded Debt													Loans				Total of All Debt	Percentage of Personal Income	Per Capita
	Pension Refunding Bonds	LCDA Sewer Bonds	LCDA Sewer Refunding Bonds	Deferred Amount LCDA Sewer Refunding Bonds	2007 LCDA Public Improvement Bonds	Deferred Amount LCDA Public Improvement 2007 Bonds	2010 LCDA Public Improvement Bonds	Deferred Amount LCDA Public Improvement 2010 Bonds	2014 LCDA Public Improvement Refinancing Bonds	Deferred Amount LCDA Public Improvement 2014 Bonds	2017 LCDA Public Improvement Refinancing Bonds	Deferred Amount LCDA Public Improvement 2017 Bonds	Total Bonded Debt	DEQ Loan	Lake Charles City Court Building	Total Loans Debt				
2008	\$5,915,000	\$21,010,000	\$ -	\$ -	\$ 33,370,000	\$ 1,029,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,324,081	\$ -	\$ -	\$ -	\$ 61,324,081	2.59%	\$ 855	
2009	5,005,000	20,100,000	-	-	32,195,000	973,952	-	-	-	-	-	-	58,273,952	-	-	-	58,273,952	2.46%	812	
2010	4,035,000	-	16,175,000	431,234	30,970,000	918,823	39,280,000	1,671,027	-	-	-	-	93,481,084	-	-	-	93,481,084	3.65%	1,298	
2011	3,005,000	-	14,905,000	392,031	29,695,000	863,694	37,705,000	1,570,765	-	-	-	-	88,136,490	918,201	3,000,000	3,918,201	92,054,691	3.60%	1,279	
2012	1,930,000	-	13,610,000	352,828	28,370,000	808,565	35,960,000	1,470,503	-	-	-	-	82,501,896	5,140,268	2,905,000	8,045,268	90,547,164	3.45%	1,255	
2013	805,000	-	12,290,000	313,625	26,995,000	753,436	34,165,000	1,370,241	-	-	-	-	76,692,302	5,015,612	2,805,000	7,820,612	84,512,914	3.17%	1,150	
2014	-	-	10,930,000	274,422	25,565,000	698,307	32,315,000	1,269,979	-	-	-	-	71,052,708	4,146,649	2,700,000	6,846,649	77,899,357	2.92%	1,060	
2015	-	-	9,535,000	235,219	9,080,000	256,639	30,410,000	1,169,717	15,775,000	854,085	-	-	67,315,660	3,934,648	2,590,000	6,524,648	73,840,308	2.75%	986	
2016	-	-	8,100,000	196,016	7,530,000	224,560	28,445,000	1,069,455	15,605,000	784,364	-	-	61,954,395	10,509,239	2,475,000	12,984,239	74,938,634	2.68%	985	
2017	-	-	6,600,000	156,813	-	-	6,685,000	259,273	15,430,000	714,643	24,140,000	3,687,728	57,673,457	17,558,182	2,360,000	19,918,182	77,591,639	2.69%	1,010	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

None of this debt is General Obligation Debt.

See the Schedule of Demographics and Economic Statistics for personal income and population data

**CITY OF LAKE CHARLES, LOUISIANA**

## Direct and Overlapping Governmental Activities Debt

As of September 30, 2017

<u>Jurisdiction</u>	<u>Direct Debt</u>	<u>Percentage Applicable to City of Lake Charles</u>	<u>Amount Applicable to Lake Charles</u>
Direct:			
City of Lake Charles	\$ 77,591,639	100%	\$ 77,591,639
Total direct debt	77,591,639		77,591,639
Overlapping:			
Calcasieu Parish School Board	175,180,000	27%	47,408,845
Calcasieu Parish Police Jury	16,642,751	75%	12,428,164
Total overlapping debt	191,822,751		59,837,009
Total Direct and Overlapping Debt	<u>\$ 269,414,390</u>		<u>\$ 137,428,648</u>

Sources: Assessed value data used to estimate applicable percentages provided by Calcasieu Parish Tax Collector.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city.

This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lake Charles. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden is borne by the residents, and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the parish's taxable assessed value that is within the government's boundaries and dividing it by the parish's total taxable assessed value.

# CITY OF LAKE CHARLES, LOUISIANA

Computation of Legal Debt Margin  
Last Ten Fiscal Years  
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 51,710	\$ 56,732	\$ 49,305	\$ 50,314	\$ 50,258	\$ 53,554	\$ 60,093	\$ 67,169	\$ 70,314	\$ 72,330
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	<u>\$ 51,710</u>	<u>\$ 56,732</u>	<u>\$ 49,305</u>	<u>\$ 50,314</u>	<u>\$ 50,258</u>	<u>\$ 53,554</u>	<u>\$ 60,093</u>	<u>\$ 67,169</u>	<u>\$ 70,314</u>	<u>\$ 72,330</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

## Legal Debt Margin Calculation for Fiscal Year 2017

(amounts expressed in thousands)

Assessed value	\$ 720,851
Add back: exempt real property	<u>2,459</u>
Total assessed value	<u>\$ 723,310</u>
Debt limit (10% of total assessed value)	\$ 72,330
Total outstanding General Obligation Bonds of City of Lake Charles	<u>-</u>
Legal capacity of City of Lake Charles for General Obligation Bonds	<u>\$ 72,330</u>

### Note:

Under state finance law, the City of Lake Charles' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. The City of Lake Charles had \$73,372,761 outstanding bonded debt at September 30, 2015. None of this debt is General Obligation Debt secured by ad valorem taxes, and the amount applicable to the legal debt limitation is therefore zero. All City of Lake Charles general obligation debt was paid in fiscal year 1997.

# CITY OF LAKE CHARLES, LOUISIANA

## Demographic and Economic Statistics

Last Ten Calendar Years

Calendar		Personal	Per		Public	Private	Total	Unemployment
		Income	Capita	Median	City School	City School	City School	Percentage
Year	Population	(amts in thousands)	Personal Income (1)	Age	Enrollment (K-12 Grades)	Enrollment (K-12 Grades)	Enrollment (K-12 Grades)	Rate
2008	71,757	\$ 2,371,425	\$ 33,048	34.5	12,783	2,741	15,524	5.9 %
2009	71,757	2,371,425	33,048	35.3	12,566	2,575	15,141	7.3
2010	71,993	2,558,631	35,540	35.3	12,034	2,465	14,499	6.3
2011	72,177	2,621,757	36,324	35.9	12,399	3,482	15,881	6.8
2012	73,474	2,668,282	36,316	35.0	13,375	3,099	16,474	6.1
2013	74,024	2,663,458	35,981	35.0	13,539	3,974	17,513	5.6
2014	74,889	2,683,273	35,830	34.1	13,333	4,435	17,768	5.8
2015	76,070	2,795,649	36,751	31.8	13,357	4,430	17,787	4.2
2016	76,848	2,879,110	37,465	34.1	13,451	3,998	17,449	4.2

Notes:

- (1) Estimates for population, income, age and unemployment provided by the Bureau of Labor Statistics and the US Census Bureau
- (2) School enrollment includes public and state approved private schools only as provided by the Calcasieu Parish School Board and the Louisiana Department of Education

# CITY OF LAKE CHARLES, LOUISIANA

Principal Employers in the MSA

Calendar Year 2017 and 2008

Employer	Type of Business	2017			2008		
		Number of Employees	Rank	Percentage of Total MSA	Number of Employees	Rank	Percentage of Total MSA
Calcasieu Parish School Board	Education	4,899	1	4.5%	4,850	1	5.4%
Lake Charles Memorial Hospital	Health Care	2,148	2	2.0%	1,039	9	1.2%
Turner Industries Group	Contractor	1,650	3	1.5%			
Golden Nugget	Gaming	1,413	4	1.3%			
L'Auberge Du Lac	Gaming	1,300	5	1.2%	2,400	2	2.7%
Citgo Petroleum	Oil Products	1,113	6	1.0%	1,275	5	1.4%
Christus St. Patrick's Hospital	Health Care	915	7	0.8%	1,085	8	1.2%
Calcasieu Parish Sheriff's Office	Law Enforcement	869	8	0.8%			-
City of Lake Charles	Government	810	9	0.7%	906	10	0.01
Northrop Grumman	Aircraft Maintenance/Repair	721	10	0.7%			
Turner Industries	Fabrication	-	-	-	2,250	3	2.5%
Axiall Corporation (formerly PPG)	Basic Chemical	-	-	-	1,296	4	1.4%
Calcasieu Parish Police Jury	Government	-	-	-	1,173	6	1.3%
Isle of Capri Casino	Gaming	-	-	-	1,171	7	1.3%
		<u>15,838</u>		<u>14.4%</u>	<u>17,445</u>		<u>19.5%</u>

Source: SWLA Economic Development Alliance and Imperial Calcasieu Regional Planning and Development (Major Employers in Southwest Louisiana with 100+ full-time, non-contract employees)

MSA: Metropolitan Statistical Area includes all of Calcasieu and Cameron Parish. All top ten employers are in Calcasieu Parish

	2017	2008
Total employment: Calcasieu Parish	109,856	89,499

# CITY OF LAKE CHARLES, LOUISIANA

Full-time Equivalent City Employees by Function  
Last Ten Fiscal Years

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	46	47	48.5	46.5	46.5	46.5	46.5	46.5	46.5	46.5
Finance (includes										
Water business office)	30	30	30	30	30	30	30	30	30	30
Human Resources	5	5	5	4	4	4	4	4	4	4
Public safety										
Fire	190	190	190	182	182	182	182	182	182	182
Police	194	192	192	189	189	189	189	196	196	196
Public works	166	166	167	157	157	157	157	165.5	165.5	165.5
Waste water	64	64	65	65	65	65	65	65.5	65.5	65.5
Transit	19	19	19	19	19	19	19	19.5	19.5	19.5
Water utility	57	57	56	56	56	56	56	58.5	58.5	58.5
Planning and development	24	24	25	24	24	24	24	25	25	25
General services	33	33	30.5	27.5	27.5	27.5	27.5	29	29	30
Community Services	78	77	77	71	71	71	71	86.5	86.5	87
<b>Total</b>	<u>906</u>	<u>904</u>	<u>905</u>	<u>871</u>	<u>871</u>	<u>871</u>	<u>871</u>	<u>908</u>	<u>908</u>	<u>909.5</u>

Source: City budget reports

Note: Personnel count includes full time and regular part-time positions. Temporary and seasonal employees are not included.

# CITY OF LAKE CHARLES, LOUISIANA

## Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
* Legal: request for legal action		239	199	90	51	96	102	103	87	75
Printing/communication:										
* Number of mail pieces metered		67,550	72,701	130,336	175,019	100,651	121,273	85,851	79,967	61,347
Risk Management										
Accident reports/investigations	626	544	632	443	377	415	457	503	553	558
Claims	277	178	289	208	186	205	226	249	273	322
Finance/includes Water Business										
Checks issued	15,356	15,543	14,760	14,927	23,699	19,750	12,025	11,652	13,520	11,412
Occupational licenses processed	5,431	6,273	6,031	6,027	5,845	5,382	5,134	5,193	5,206	5,206
Purchase orders processed	3,738	3,290	2,881	2,785	2,800	2,825	2,653	2,694	2,938	2,840
Water: number of customers	28,147	28,124	28,886	28,775	28,926	29,704	30,042	29,980	30,226	30,862
Water: Average daily consumption (millions of gallons per day)	10.79	9.33	8.87	9.05	9.03	8.65	8.42	8.75	8.68	10.73
Human Resources										
Applications received	711	961	1,000	1,327	1,250	1,328	1,100	971	1,011	956
New hires	483	462	425	432	364	436	325	416	412	417
Employee Health Fair Participation	268	285	300	320	325	375	450	530	450	405
Public safety										
Fire: Calls for service	2,571	2,588	2,790	2,863	2,768	2,807	2,996	3,299	3,619	3,979
* Fire: Code inspections	2,775	3,594	4,465	7,305	4,000	7,386	2,929	2,929	2,929	2,929
Police: Calls for service	93,886	90,995	96,732	107,100	108,064	125,161	121,384	106,110	130,060	128,351
Public works										
Solid Waste										
* Tons garbage collected	26,324	26,320	25,814	24,515	23,951	25,018	25,563	25,855	26,782	27,048
* Tons incinerated	3,338	2,322	2,905	4,857	4,163	4,340	8,343	4,920	4,761	4,351
* Tons trash collected	10,682	9,583	7,930	5,957	6,208	6,212	7,053	7,032	7,295	7,557
* Streets: Work orders	647	1,289	1,863	2,708	1,234	1,370	1,734	1,556	2,054	2,054
* Transit: Bus riders	178,889	175,875	190,834	219,802	223,407	228,068	267,126	265,459	258,442	262,603
* Vehicle Maintenance: Work orders:	3,530	4,291	5,867	5,689	5,841	5,877	5,498	6,078	6,598	6,444
* Waste water: Work orders	3,337	9,508	11,100	5,490	6,000	12,371	11,898	11,787	13,823	11,195
Planning and development										
Building permits issued	6,287	4,162	6,395	6,073	4,356	4,762	4,122	4,603	4,840	4,331
Community Development										
* Down Payment Assistance	22	17	22	15	24	17	14	17	11	3
* Rehab/Reconstruction	8	8	9	12	13	12	8	5	3	6
* Street Projects	6	3	0	1	2	2	1	0	0	2
Community Services										
Recreation and parks										
* Athletic teams		279	292	311	313	877 <sup>+</sup>	913 <sup>+</sup>	823	808	808
* Summer camp attendance	470	219	480	472	447	425	430	355	355	355
* Civic Center: Events	356	377	358	368	353	352	340	356	344	332
Golf Course: Rounds of golf	32,969	36,464	23,852	31,900	30,318	36,317	36,641	33,000	32,780	30,439
Art Center/museum										
* Art exhibits	13	9	11	16	16	15	15	16	15	16
* Concerts/Events	43	35	100	119	25	24	19	28	26	16

Source: Various city departments

\* Prior year statistics not available.  
+ Includes tournament teams

# CITY OF LAKE CHARLES, LOUISIANA

## Capital Assets Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Fire Stations in City limits	8	8	8	8	8	8	8	8	8	8
Fire Stations outside City limits			2	2	2	2	2	2	2	2
Police:										
Stations	4	4	4	4	4	4	4	3	4	7
Patrol Units	92	92	92	92	98	94	111	87	114	154
Public works										
Solid Waste/Recycling										
Collection trucks	32	30	34	32	32	32	33	33	33	33
Streets										
Streets (miles)	460	460	460	460	503	534	534	535	549	553
* Streetlights	9,285	9,285	9,285	9,285	14,000	10,000	10,000	11,000	11,000	11,000
* Traffic Signals	66	66	66	66	68	66	62	64	66	64
Transit										
Public Buses	7	7	7	7	4	5	4	4	5	5
Para-transit buses	2	4	4	4	2	2	2	2	2	2
Trolley	-	-	1	1	1	1	1	1	1	1
Waste water										
Sanitary sewers (miles)	600	600	600	600	600	600	600	600	600	600
Storm sewers (miles)	425	425	425	425	425	425	425	425	425	425
* Maximum daily treatment capacity (millions of gallons per day)	13	13	18	18	18	18	18	18	18	18
Water utility										
* Water mains (miles)	455	458	458	460	465	430	470	473	480	480
* Fire hydrants	2,820	2,850	2,850	2,900	2,954	3,000	3,000	3,050	3,100	3,150
* Maximum daily capacity (millions of gallons per day)	22	22	22	22	22	22	22	22	22	22
Community Services										
Recreation and parks										
** Park acreage	256	466	466	466	465	502	502	502	502	502
Parks	34	34	34	34	33	33	33	33	33	33
Swimming Pools	2	2	2	2	2	2	2	2	2	2
*** Spray parks	1	3	2	2	2	2	2	2	2	2
Tennis courts	17	17	17	17	15	11	11	11	11	11
Community Centers	12	12	12	12	12	13	13	13	13	13
Civic Center	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Art Center/museum	2	2	2	2	2	2	2	2	2	2

Source: Various city departments

\* Prior year statistics not available.

\*\*In 2009 the addition of Riverside Park increased total acreage to 466.

\*\*\*One spray park donated to Ward 3 Recreation District.

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**CITY OF LAKE CHARLES, LOUISIANA**

**UNIFORM GUIDANCE  
SUPPLEMENTARY REPORTS**

**YEAR ENDED SEPTEMBER 30, 2017**

CITY OF LAKE CHARLES  
LAKE CHARLES, LOUISIANA

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

Honorable Mayor Nicholas Hunter  
and City Council  
City of Lake Charles  
Lake Charles, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Lake Charles, Louisiana's basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Charles, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of This Report

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana  
March 29, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

Honorable Mayor Nicholas Hunter  
and City Council  
City of Lake Charles  
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the City of Lake Charles, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Lake Charles, Louisiana's major federal programs for the year ended September 30, 2017. The City of Lake Charles, Louisiana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Lake Charles, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lake Charles, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Lake Charles, Louisiana's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the City of Lake Charles, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

#### Report on Internal Control Over Compliance

Management of the City of Lake Charles, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lake Charles, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lake Charles, Louisiana's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Lake Charles, Louisiana's basic financial statements. We issued our report thereon dated March 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*  
Lake Charles, Louisiana  
March 29, 2018

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Period Ending September 30, 2017

<u>Grant Type</u>	<u>Federal CFDA Number</u>
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</b>	
Direct program:	
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Total CFDA Number 14.218	
Passed Through Louisiana Department of Administration:	
HUD Emergency Shelter Grant	14.231
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
Total Passed Through Louisiana Department of Administration	
 Total U.S. Department of Housing & Urban Development	
 <b>U.S. DEPARTMENT OF HEALTH AND HOSPITALS:</b>	
Direct program:	
Beach Monitoring and Notification Program	66.472
 <b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>	
Passed Through Louisiana Department of Military Affairs:	
Public Assistance Grant	97.036
Public Assistance Grant	97.036
Public Assistance Grant	97.036
Hazard Mitigation Grant Program	97.039
Port Security Grant	97.056
State Homeland Security Grant Program	97.067
 Total U.S. Department of Homeland Security	

<u>Grant Number</u>	<u>Grant Period</u>		<u>Grant Receipts</u>	<u>Current Expenditures</u>
	<u>From</u>	<u>To</u>		
B-14MC-22-0004	10/1/16	9/30/17	\$ 202,229	\$ 202,229
B-15MC-22-0004	10/1/16	9/30/17	68,865	68,865
B-16MC-22-0004	10/1/16	9/30/17	39,636	39,636
B-15MC-22-0004	10/1/16	9/30/17	367,133	367,133
B-16MC-22-0004	10/1/16	9/30/17	84	84
			<u>677,947</u>	<u>677,947</u>
ESGP-2015-2017	10/1/16	9/30/17	70,480	70,480
B-14-MC-22-0208	10/1/16	9/30/17	57,430	57,430
B-15-MC-22-0208	10/1/16	9/30/17	148,926	148,926
B-16-MC-22-0208	10/1/16	9/30/17	13,221	13,221
			<u>290,057</u>	<u>290,057</u>
			<u>968,004</u>	<u>968,004</u>
			<u>750</u>	<u>750</u>
FEMA-1792-DR-LA	10/1/16	9/30/17	1,718	-
FEMA-1607-DR-LA	10/1/16	9/30/17	406,482	-
FEMA-14345-DR-LA	10/1/16	9/30/17	201,000	201,000
FEMA-1786-DR-LA	10/1/16	9/30/17	125,843	125,843
EMW-2016-PU-00150S01	10/1/16	9/30/17	91,832	91,832
EMW-2016-SS-00018S01	10/1/16	9/30/17	9,587	9,587
			<u>836,462</u>	<u>428,262</u>

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Period Ending September 30, 2017  
(Continued)

<u>Grant Type</u>	<u>Federal CFDA Number</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>	
Direct Program:	
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Total CDFA Number 20.507	
Federal Highway Administration	20.205
Passed Through Louisiana Highway Safety Commission:	
Highway Safety	20.600
Total U.S. Department of Transportation	
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>	
Passed Through Louisiana Department of Education:	
Child Nutrition Summer Food Program	10.559
<b>U.S. DEPARTMENT OF JUSTICE:</b>	
Direct Program:	
Justice Assistance Grant	16.738
COPS	16.710
HIDTA	95.001
US Marshal Service	16.922
Total U.S. Department of Justice	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</b>	
Passed Through Louisiana Volunteer Commission:	
Americorps 2016-2017 Grant	94.006
Americorps 2017-2018 Grant	94.006
Total for CFDA Number 94.006	
Volunteer Louisiana Commission	
Total Passed Through Louisiana Volunteer Commission	
<b>TOTAL FEDERAL AWARDS</b>	

<u>Grant Number</u>	<u>Grant Period</u>		<u>Grant</u>	<u>Current</u>
	<u>From</u>	<u>To</u>	<u>Receipts</u>	<u>Expenditures</u>
LA-900-390	10/1/16	9/30/17	15,465	15,465
LA-2016-014	10/1/16	9/30/17	1,398,128	1,398,128
LA-2017-023	10/1/16	9/30/17	297,919	297,919
LA-900-384	10/1/16	9/30/17	1,592	1,592
LA-900-414	10/1/17	9/30/17	13,690	13,690
LA-2016-014	10/1/16	9/30/17	31,649	31,649
			<u>1,758,443</u>	<u>1,758,443</u>
S.P. No. 737-10-0016/H.006478	10/1/16	9/30/17	1,356	1,356
2017-30-35	10/1/16	9/30/17	<u>45,891</u>	<u>45,891</u>
			<u>1,805,690</u>	<u>1,805,690</u>
7CFR Part 25.7	10/1/16	9/30/17	<u>491,442</u>	<u>481,169</u>
2016-D-BX-0659	10/1/16	9/30/17	35,804	35,804
2014UMWX0011	10/1/16	9/30/17	57,819	57,819
G17GC0001A	10/1/16	9/30/17	64,630	64,630
JLEOTFS425302	10/1/16	9/30/17	<u>12,204</u>	<u>12,204</u>
			<u>170,457</u>	<u>170,457</u>
12AFHLA0010002	10/1/16	9/30/17	110,919	110,919
12AFHLA0010002	10/1/16	9/30/17	<u>15,291</u>	<u>15,291</u>
			126,210	126,210
14VGHLA001-17	10/1/16	9/30/17	<u>1,340</u>	<u>1,340</u>
			<u>127,550</u>	<u>127,550</u>
			<u>\$ 4,400,355</u>	<u>\$ 3,981,882</u>

CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2017

Note A. Scope of Audit

The audit was performed pursuant to the *Single Audit Act of 1996* and the *Uniform Guidance*.

Summary of significant accounting policies:

The Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the City in preparation of the government wide financial statements that report these awards. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Note B. Disbursements

Disbursements reported in the Schedule of Expenditures of Federal Awards cannot be traced, in every case, directly to the disbursements reported in the City's Comprehensive Annual Financial Report (CAFR). However, the detailed information regarding the disbursements reflected in both issued reports can be traced to the City's detailed general ledger with adjustments for any year-end financial statement accruals and reversals.

Note C. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City that were received directly from federal agencies or passed through other entities and governmental agencies.

The City has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of the Uniform Guidance. The Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

Note D. Major Federal Awards Program

The City's major federal awards programs for the year ended September 30, 2017 were determined based on program activity. The City's major programs for the year ended September 30, 2017 were all federally assisted high risk "Type A" programs.

Note E. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The U.S. Environmental Protection Agency (USEPA) is the federal agency administering the grant. The Louisiana Department of Environmental Quality (LDEQ) is the pass-through agency. The City of Lake Charles is receiving money from the State under the loan program. The City of Lake Charles entered into the loan agreement on June 23, 2011 for an amount not to exceed \$21,000,000. The DEQ loan disburses funds to the City of Lake Charles after the expenditure is made. Interest of .45% per annum on the outstanding balance is paid semi-annually. At September 30, 2017, the principal balance is \$17,558,182.

Note F. Subrecipient Payments

1. CDBG - Subrecipient payments in the amount of \$32,342 to Family and Youth.
2. CDBG - Subrecipient payments in the amount of \$50,955 to Catholic Charities.
3. CDBG - Subrecipient payments in the amount of \$2,970 to New Covenant Faith.
4. CDBG - Subrecipients payments in the amount of \$16,756 to The Open Door.
5. CDBG - Subrecipient payments in the amount of \$5,636 to Habitat for Humanity.
6. CDBG - Subrecipient payments in the amount of \$4,404 to Girlie Girls Monitoring Program.

Monitoring Program.

7. CDBG - Subrecipient payments in the amount of \$5,000 to Volunteer Center of Southwest Louisiana, Inc.
8. CDBG - Subrecipient payments in the amount of \$6,781 to SWLA Area Health Education Center.
9. CDBG - Subrecipient payment in the amount of \$7,500 to Southwest Louisiana Alliance Foundation.
10. CDBG - Subrecipient payment in the amount of \$6,087 to Lake Charles North Redevelopment Authority.

Note G. Subsequent Events

The City is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures of federal awards. The City performed such an evaluation through March 29, 2018, the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

Note H. Indirect Cost Rate

The City elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness identified?        Yes   X   No  
Significant deficiency identified not  
Considered to be material weakness?        Yes   X   None reported  
Noncompliance material to financial statements  
noted        Yes   X   No

Federal Awards

Internal control over major programs:  
Material weakness identified?        Yes   X   No  
Significant deficiency identified not  
Considered to be material weakness?        Yes   X   None reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with the Uniform  
Guidance?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Administration

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   Yes        No

(continued on next page)

CITY OF LAKE CHARLES, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2017  
(Continued)

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings to report.

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings to report.

CITY OF LAKE CHARLES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS  
Year Ended September 30, 2017

2016-001    Safeguarding of Credit Cards

Condition:            It was determined that \$131.59 was misappropriated for personal use with a City credit card. The employee purchased gasoline for their personal vehicle.

Recommendation:    Credit card controls should be improved to guard against future misappropriations.

Current status:      This condition is resolved.

2016-002    Safeguarding of Inventory

Condition:            It was determined that \$230 of concrete was misappropriated for personal use. The concrete was used to construct a walkway on a personal residence.

Recommendation:    Inventory controls should be improved to guard against future misappropriations.

Current status:      This condition is resolved.