

# CITY OF SULPHUR, LOUISIANA

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## Annual Financial Report For Fiscal Year Ended June 30, 2024

FAITH  FAMILY  COMMUNITY

CITY OF SULPHUR, LOUISIANA  
 ANNUAL FINANCIAL REPORT  
 Year Ended June 30, 2024  
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CITY OF SULPHUR, LOUISIANA

June 30, 2024

MAYOR

The Honorable Michael Danahay

CITY COUNCIL

Dru Ellender  
Nicholas Nezat  
Melinda Hardy

Mandy Thomas  
Joy Abshire

LEGAL COUNSEL

Cade Cole - City Attorney

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

2720 RUE DE JARDIN, STE. 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouenpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Honorable Michael Danahay, Mayor  
And City Council Members  
City of Sulphur, Louisiana

### **Adverse, Qualified, and Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities, the business type activities each major fund, and the aggregate remaining fund information of the City of Sulphur, Louisiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Sulphur, Louisiana's primary government as listed in the table of contents.

### **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Sulphur, Louisiana, as of June 30, 2024, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion on Aggregate Remaining Fund Information**

In our opinion, except for the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Sulphur, Louisiana, as of June 30, 2024, and the 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.

### **Unmodified Opinions on Governmental Activities, Business-Type Activities, and Each Major Fund**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Sulphur, Louisiana, as of June 30, 2024, 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.

### **Basis for Adverse, Qualified, and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sulphur, Louisiana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

## **Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Aggregate Remaining Fund Information**

The financial statements do not include financial data for the City of Sulphur, Louisiana's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City of Sulphur, Louisiana also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Sulphur, Louisiana has not issued such reporting entity financial statements. The effects of not including the City of Sulphur, Louisiana's legally separate component units on the aggregate discretely presented component units and the aggregate remaining fund information have not been determined.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sulphur, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sulphur, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sulphur, Louisiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-13 and the required supplemental information on pages 66-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sulphur, Louisiana's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Compensation, Reimbursements and Other Payments to Agency Head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 Compensation are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024, on our consideration of the City of Sulphur, 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 solely 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 effectiveness of the City of Sulphur, Louisiana's 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 Sulphur, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

December 23, 2024  
Lake Charles, Louisiana

## **CITY OF SULPHUR, LOUISIANA MANAGEMENT DISCUSSION AND ANALYSIS**

Within this section of the City of Sulphur, Louisiana's annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### **FINANCIAL HIGHLIGHTS**

- The implementation of GASB Statement No. 68 and 75 resulted in the recognition of \$28.2 million in net pension liabilities, \$21.2 million in OPEB liabilities, \$16.9 million in deferred outflows, and \$27.6 million in deferred inflows.
- The assets and deferred outflows of resources of the City exceeded its liabilities by \$115,248,539 (net position) for the fiscal year reported.
- Total revenues of \$62,748,732 were more than total expenses of \$43,063,062, resulting in a current year increase in net position of \$19,685,670.
- Total sales taxes revenues for the current fiscal year were \$22,189,351, an increase of \$54,149 (0.25 percent) over the prior fiscal year.
- The City's governmental funds reported total ending fund balance of \$36,577,445 this year of which \$101,608 is non-spendable, \$176.870 is restricted for debt service and law enforcement, \$17,074,512 is assigned for capital projects and \$19,224,455 is unassigned. This compares to the prior year fund balance of \$36,577,445 reflecting an increase of \$8,246,194 during the current fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,224,455 or 55% of total General Fund expenditures and 52% of total General Fund revenues.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City of Sulphur's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data is presented when available.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF SULPHUR, LOUISIANA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**(Continued)**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee leave).

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety and streets. The business-type activities of the City of Sulphur include the water and sewer systems.

The government-wide financial statements are presented on pages 15 through 16 of this report.

**FUND FINANCIAL STATEMENTS.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sulphur, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sulphur maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, public improvement capital project fund, and street improvement capital project fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report.

The basic governmental fund financial statements are presented on pages 18 through 21 of this report.

**Proprietary funds.** The City of Sulphur maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Sulphur uses an internal service fund to account for its workers' compensation program and health insurance. Because these services predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer services



**CITY OF SULPHUR, LOUISIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Continued)**

and the workers' compensation program. The City's water and sewer fund is considered to be a major fund. The basic proprietary fund financial statements are presented on pages 22 through 25 of this report.

**NOTES TO THE BASIC FINANCIAL STATEMENTS.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26 through 65 of this report.

**OTHER INFORMATION.** In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's budget presentations, progression in funding other postemployment benefits (OPEB), and progress in funding its obligations to provide other postemployment benefits.

Required supplemental information can be found on pages 66 through 69 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City of Sulphur's assets and deferred outflows of resources exceeded liabilities by \$115,248,539.

**City of Sulphur's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>ASSETS</b>						
Current and other assets	\$ 49,406,472	\$ 43,389,973	\$ 12,225,266	\$ 17,607,256	\$ 61,631,738	\$ 60,997,229
Capital assets	66,554,711	56,114,852	66,778,421	59,400,730	133,333,132	115,515,582
Total assets	115,961,183	99,504,825	79,003,687	77,007,986	194,964,870	176,512,811
<b>DEFERRED OUTFLOWS</b>	14,821,749	19,445,316	2,053,255	3,896,589	16,875,004	23,341,905
<b>LIABILITIES</b>						
Current liabilities	8,731,497	8,495,079	2,689,059	3,136,123	11,420,556	11,631,202
Long-term liabilities	44,237,614	46,715,812	13,344,155	14,867,949	57,581,769	61,583,761
Total liabilities	52,969,111	55,210,891	16,033,214	18,004,072	69,002,325	73,214,963
<b>DEFERRED INFLOWS</b>	23,645,917	21,362,395	3,943,093	2,959,336	27,589,010	24,321,731
<b>NET POSITION</b>						
Investment in capital assets, net of debt	66,554,711	56,114,852	59,728,063	50,048,342	126,282,774	106,163,194
Restricted		-		-	-	-
Unrestricted	(12,386,807)	(19,196,686)	1,352,572	8,596,361	(11,034,235)	(10,600,325)
Total net position	\$ 54,167,904	\$ 36,918,166	\$ 61,080,635	\$ 58,644,703	\$ 115,248,539	\$ 95,562,869

**CITY OF SULPHUR, LOUISIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Continued)**

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

Because of the impact of the implementation of GASB 68 & 75, the City reported a negative balance in the unrestrictive category of net assets for the government as a whole, as well as for its separate governmental activities. The City was able to report positive balances in all three categories of net assets for business-type activities.

**City of Sulphur's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Programs:						
Fees, fines and charges for services	\$ 3,989,389	\$ 3,823,770	\$ 10,043,970	\$ 9,309,873	\$ 14,033,359	\$ 13,133,643
Operating grants	-	3,269,905	-	-	-	3,269,905
Capital grants	11,184,880	2,604,736	-	-	11,184,880	2,604,736
General:						
Sales taxes	20,407,819	20,218,282	1,781,532	1,916,920	22,189,351	22,135,202
Property taxes	3,340,236	3,276,048	-	-	3,340,236	3,276,048
Franchise taxes	1,412,958	1,658,850	-	-	1,412,958	1,658,850
Intergovernmental	1,711,507	1,587,507	-	357,689	1,711,507	1,945,196
Investment income	5,772,079	1,134,117	677,146	411,744	6,449,225	1,545,861
Other	67,726	293,161	2,359,490	542,246	2,427,216	835,407
Total revenue	47,886,594	37,866,376	14,862,138	12,538,472	62,748,732	50,404,848
Program expenses:						
General government	7,919,526	6,757,852	-	-	7,919,526	6,757,852
Public safety	12,426,035	15,584,355	-	-	12,426,035	15,584,355
Streets and parks	8,257,911	6,885,991	-	-	8,257,911	6,885,991
Interest on long-term debt	33,384	38,688	-	-	33,384	38,688
Water and sewer	2,000,000	-	12,426,206	12,202,943	14,426,206	12,202,943
Total expenses	30,636,856	29,266,886	12,426,206	12,202,943	43,063,062	41,469,829
Increase (decreases) in net assets before transfers	17,249,738	8,599,490	2,435,932	335,529	19,685,670	8,935,019
Transfers	-	-	-	-	-	-
Increase in net position	17,249,738	8,599,490	2,435,932	335,529	19,685,670	8,935,019
Beginning net position, as previously reported	36,918,166	28,318,676	58,644,703	58,309,174	95,562,869	86,627,850
Ending net position	\$ 54,167,904	\$ 36,918,166	\$ 61,080,635	\$ 58,644,703	\$ 115,248,539	\$ 95,562,869

**CITY OF SULPHUR, LOUISIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Continued)**

**GOVERNMENTAL ACTIVITIES.** During the current fiscal year, net position for governmental activities increased \$17,249,738 from the beginning balance for an ending balance of \$54,167,904.

Revenues increased \$10,020,218 (26%) from governmental activities for the current fiscal year. Sales taxes increased by \$189,537 (1%) during the current fiscal year. The major sources of revenue for governmental activities are sales tax 43 percent, intergovernmental grants 28 percent, other taxes such as property taxes and franchise taxes 10 percent, program revenues 8 percent, and investment earnings and other 11 percent.

Expenses from governmental activities decreased \$630,030 (2%) for the current fiscal year. General government comprises for 28 percent of total governmental activity expenses, public safety comprises 43 percent of total governmental activity expenses. Street and parks accounted for 29 percent of governmental activity expenditures.

Program revenues covered 14 percent of governmental operating expenses in the current fiscal year. Taxes and other general revenues fund remaining 86 percent of the governmental activities. The table below presents total cost and net cost of each of the City's programs. The net cost reflects total cost less revenues generated by the activity.

	Total Cost of Services	Net Cost of Services
General government	\$ 7,919,526	\$ 6,417,529
Public safety:	12,426,035	12,276,388
Streets and parks	8,257,911	(5,099,145)
Interest on long-term debt	33,384	33,384
Total governmental activities	\$ 28,636,856	\$ 13,628,156

**BUSINESS-TYPE ACTIVITIES.** During the current fiscal year, net position for business-type activities increased \$2,435,932 from the beginning balance for an ending balance of \$61,080,635.

Operating revenues for water and sewer services increased \$734,097 (8%) over the prior fiscal year. Sales taxes decreased by \$189,537 (1%). Operating expenses increased \$223,263 (2%). This activity generated an operating loss of \$2,382,236 for the current fiscal year, compared to an operating loss of \$2,967,962 for the prior fiscal year.

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

As noted earlier, the City of Sulphur uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds reported combined ending fund balances of \$36,577,445, an increase of \$8,246,194 in comparison with the fund balance for the prior year. Approximately 52.6 percent of this total amount, \$19,224,455, constitutes unassigned fund balance which is available for spending at the City's discretion. The City has non-spendable fund balances of \$101,608. Restricted fund balances are \$176,870. The City has assigned \$17,074,512, which has been assigned by the City Council for capital projects.

**CITY OF SULPHUR, LOUISIANA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**(Continued)**

The general fund is the primary operating fund of the City of Sulphur. The fund balance of the City's general fund increased \$5,106,001 during the current fiscal year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19,224,455. A comparison of both unassigned fund balance and total fund balance to total fund expenditures can be a useful measure of the general fund's liquidity. Unassigned fund balance represents 65.5 percent of total general fund expenditures.

Revenues on the general fund increased \$3,030,915 (9.4%) over the prior year. Expenditures increased \$2,299,777 (8.9%) under the prior year.

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

Unrestricted net position of the public utility fund (which accounts for water and sewer services) at the end of the year totaled \$1,352,572.

The internal service fund (which accounts for the City's workers' compensation program and Health Insurance) had unrestricted net assets of \$2,924,054 at the end of the current fiscal year. This represents an increase of \$248,973 over the previous fiscal year.

### **BUDGETARY HIGHLIGHTS**

**General Fund.** The original 2024 budget adopted by the City totaled \$28.1 million in expenditures. The budget was balanced with revenue estimates of \$33.4 million. During the year, there was an amendment to the original estimated revenues and budgeted appropriations with \$28.1 million in expenditures and \$31.4 million in revenues.

Actual revenues were over-budget by \$3,827,603 (10.9%) and actual expenditures were less than budgeted by \$596,775 (2.1%).

The General Fund is the only major fund requiring an annually adopted budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets (net of depreciation) for governmental and business-type activities as of June 30, 2024, was \$66,554,771 and \$66,778,421, respectively. The total increase in the City's investment in capital assets (net of depreciation) for the current fiscal year was \$23,381,442 (21.3%). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Continuing program of improving, rehabilitating, and expanding the City's infrastructure
- Continuing program of improving, rehabilitating, and expanding the City's water distribution system and wastewater collection and treatment system

**CITY OF SULPHUR, LOUISIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Continued)**

**City of Sulphur's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,046,247	\$ 3,019,747	\$ -	-	\$ 3,046,247	\$ 3,019,747
Construction in progress	28,833,111	16,918,861	16,663,065	\$ 16,663,065	45,496,176	33,581,926
Buildings	6,036,129	6,150,521	41,162,839	41,162,839	47,198,968	47,313,360
Furniture and equipment	1,449,521	1,413,686	773,211	773,211	2,222,732	2,186,897
Transportation equipment	3,826,627	3,693,693	801,615	801,615	4,628,242	4,495,308
Infrastructure	23,148,619	24,918,344	-	-	23,148,619	24,918,344
Total	\$ 66,340,254	\$ 56,114,852	\$ 59,400,730	\$ 59,400,730	\$ 125,740,984	\$ 115,515,582

Additional information on the City's capital assets can be found on pages 38 - 39 of this report. The following table provides a summary of capital asset activity.

**Long-term Debt.** At the end of the current fiscal year, the City of Sulphur had total long-term liabilities \$65,396,548.

**City of Sulphur's Changes in Outstanding Debt**

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 1,735,000	\$ -	\$ 260,000	\$ 1,475,000	\$ 270,000
Right of use liability	-	200,677	-	200,677	47,978
Compensated absences	1,484,986	-	11,138	1,473,848	1,300,251
Net pension liability	28,008,948	-	2,713,384	25,295,564	-
Other post-employment benefit	17,852,232	124,598	-	17,976,830	566,076
	<u>\$ 49,081,166</u>	<u>\$ 325,275</u>	<u>\$ 2,984,522</u>	<u>\$ 46,421,919</u>	<u>\$ 2,184,305</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 9,352,388	\$ -	\$ 1,167,030	\$ 8,185,358	\$ 1,135,000
Compensated absences	371,992	-	-	371,992	220,622
Net pension liability	3,171,831	-	226,840	2,944,991	-
Other post-employment benefit	3,419,171	-	154,788	3,264,383	66,947
	<u>\$ 16,315,382</u>	<u>\$ -</u>	<u>\$ 1,548,658</u>	<u>\$ 14,766,724</u>	<u>\$ 1,422,569</u>

Additional information concerning the City's long-term debt can be found on pages 39 and 40 of this report.

**CITY OF SULPHUR, LOUISIANA  
MANAGEMENT DISCUSSION AND ANALYSIS  
(Continued)**

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

The primary revenue stream for the City of Sulphur is sales tax. The City adopted a 2025 sales tax budget of \$21,850,000.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Sulphur's finances for all those with an interest in such. Questions concerning this report or requests for additional information should be addressed to the Director of Finance, Post Office Box 1309, Sulphur, Louisiana 70664-1309. Information about the component units and their separately issued financial statements can also be obtained from the Director of Finance.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF SULPHUR, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2024**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,016,391	\$ 648,118	\$ 10,664,509
Receivables (net of allowances for uncollectibles)	7,669,516	1,218,391	8,887,907
Intergovernmental receivables	-	223,995	223,995
Prepaid expenses	909,632	115,596	1,025,228
Restricted cash	-	651,388	651,388
Inventories	30,129	140,561	170,690
Investments	22,049,805	9,227,217	31,277,022
Investments - joint venture	8,730,999	-	8,730,999
Capital assets:			
Land and construction in progress	31,879,358	23,429,042	55,308,400
Capital assets, net of accumulated depreciation	34,460,896	43,349,379	77,810,275
Right of use assets, net of accumulated amortization	214,457	-	214,457
<b>TOTAL ASSETS</b>	<u>115,961,183</u>	<u>79,003,687</u>	<u>194,964,870</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Resources related to pensions and OPEB	<u>14,821,749</u>	<u>2,053,255</u>	<u>16,875,004</u>
Total Deferred Outflow of Resources	<u>14,821,749</u>	<u>2,053,255</u>	<u>16,875,004</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued payables	4,545,848	936,968	5,482,816
Accrued salaries and benefits	465,738	141,248	606,986
Interest payable	-	188,274	188,274
Claims payable	1,535,606	-	1,535,606
Noncurrent Liabilities:			
Due within one year	2,184,305	1,422,569	3,606,874
Due in more than one year	44,237,614	13,344,155	57,581,769
<b>TOTAL LIABILITIES</b>	<u>52,969,111</u>	<u>16,033,214</u>	<u>69,002,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Resources related to pensions and OPEB	<u>23,645,917</u>	<u>3,943,093</u>	<u>27,589,010</u>
Total Deferred Inflow of Resources	<u>23,645,917</u>	<u>3,943,093</u>	<u>27,589,010</u>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	66,554,711	59,728,063	126,282,774
Unrestricted	<u>(12,386,807)</u>	<u>1,352,572</u>	<u>(11,034,235)</u>
<b>Total Net Position</b>	<u>\$ 54,167,904</u>	<u>\$ 61,080,635</u>	<u>\$ 115,248,539</u>

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

**CITY OF SULPHUR, LOUISIANA**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:					-		
General government:							
General and administrative	\$ 6,613,456	\$ 1,570,843	\$ -	\$ 7,021,350	\$ 1,978,737	\$ -	\$ 1,978,737
Animal control	355,698	-	-	-	(355,698)	-	(355,698)
Code enforcement	308,865	-	-	-	(308,865)	-	(308,865)
Shop	641,507	-	-	-	(641,507)	-	(641,507)
Public safety:							
Police	4,870,372	156,339	-	-	(4,714,033)	-	(4,714,033)
Fire	6,729,525	-	-	-	(6,729,525)	-	(6,729,525)
Inspection	826,138	-	-	-	(826,138)	-	(826,138)
Streets and parks	8,257,911	2,262,207	-	4,163,530	(1,832,174)	-	(1,832,174)
Interest on long-term debt	33,384	-	-	-	(33,384)	-	(33,384)
Transfers	2,000,000	-	-	-	(2,000,000)	-	(2,000,000)
Total governmental activities	<u>30,636,856</u>	<u>3,989,389</u>	<u>-</u>	<u>11,184,880</u>	<u>(15,462,587)</u>	<u>-</u>	<u>(15,462,587)</u>
Business-type activities:							
Water and sewer	12,426,206	10,043,970	-	-	-	(2,382,236)	(2,382,236)
Total activities	<u>\$ 43,063,062</u>	<u>\$ 14,033,359</u>	<u>\$ -</u>	<u>\$ 11,184,880</u>	<u>(15,462,587)</u>	<u>(2,382,236)</u>	<u>(17,844,823)</u>
General revenues:							
Sales taxes					20,407,819	1,781,532	22,189,351
Property taxes					3,340,236	-	3,340,236
Franchise taxes					1,412,958	-	1,412,958
Intergovernmental					1,711,507	-	1,711,507
Unrestricted investment earnings					1,228,183	677,146	1,905,329
Investment earnings - joint venture					4,543,896	-	4,543,896
Other					67,726	2,359,490	2,427,216
Total general revenues and transfers					<u>32,712,325</u>	<u>4,818,168</u>	<u>37,530,493</u>
Change in net position					17,249,738	2,435,932	19,685,670
Net position-beginning					<u>36,918,166</u>	<u>58,644,703</u>	<u>95,562,869</u>
Net position-ending					<u>54,167,904</u>	<u>61,080,635</u>	<u>115,248,539</u>

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

**FUND FINANCIAL STATEMENTS**

CITY OF SULPHUR, LOUISIANA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
As of June 30, 2024

	<b>General Fund</b>	<b>Public Improvement Capital Project Fund</b>	<b>Street Improvement Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	791,579	217,030	7,054,060	-	\$ 8,062,669
Receivables (net of allowances for uncollectibles)	7,440,394	204,946	17,283	3,438	7,666,061
Inventories	30,129	-	-	-	30,129
Prepaid expenses	71,479	-	-	-	71,479
Investments	7,690,798	3,153,953	8,634,952	178,529	19,658,232
Investment - joint venture	6,154,812	-	-	-	6,154,812
Total Assets	<u>\$ 22,179,191</u>	<u>\$ 3,575,929</u>	<u>\$ 15,706,295</u>	<u>\$ 181,967</u>	<u>\$ 41,643,382</u>
<b>LIABILITIES</b>					
Accounts payable	2,337,921	2,207,712	-	5,097	\$ 4,550,730
Accrued liabilities	465,738	-	-	-	465,738
Total Liabilities	<u>2,803,659</u>	<u>2,207,712</u>	<u>0</u>	<u>5,097</u>	<u>5,016,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - garbage fees	49,469	-	-	-	49,469
Unavailable revenue - special assessments	-	-	-	-	-
Total deferred inflows of resources	<u>49,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,469</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories and prepaids	101,608	-	-	-	101,608
Restricted:					
Debt service reserves	-	-	-	-	-
Law enforcement	-	-	-	176,870	176,870
Committed:					
Capital projects	-	-	-	-	-
Assigned:					
Capital projects	-	1,368,217	15,706,295	-	17,074,512
Unassigned	19,224,455	-	-	-	19,224,455
Total Fund Balances	<u>19,326,063</u>	<u>1,368,217</u>	<u>15,706,295</u>	<u>176,870</u>	<u>36,577,445</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 22,179,191</u>	<u>\$ 3,575,929</u>	<u>\$ 15,706,295</u>	<u>\$ 181,967</u>	<u>\$ 41,643,382</u>

**CITY OF SULPHUR, LOUISIANA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2024**

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

Total fund balances - total governmental funds	\$ 36,577,445
Capital assets used in governmental activities to pay for current-period expenditures and, therefore, are not reported in the funds.	66,554,711
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,363,332
Internal service funds are used by management to charge the cost of insurance to individuals funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	3,040,838
Long-term liabilities, including bonds payable, special assessment debt, accrued interest payable, and compensated absences payable, are not due and payable in the current periods and, therefore, are not reported liabilities in the funds.	(3,149,525)
Other Postemployment Benefits (OPEB) obligations are not due and payable in the current period and, therefore, are not reported the funds.	(17,976,830)
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability ( from pension schedule )	(25,295,564)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resource related to pensions and OPEB ( from pension schedule)	14,821,749
Deferred inflows of resource related to pensionsand OPEB ( from pension schedule)	(23,645,917)
Other	(122,335)
Net position of governmental activities	<u>\$ 54,167,904</u>

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

**CITY OF SULPHUR, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2024**

	<b>General Fund</b>	<b>Public Improvement Capital Project Fund</b>	<b>Street Improvement Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Sales taxes	13,254,913	\$ 2,662,779	\$ 4,490,127	\$ -	\$ 20,407,819
Ad valorem taxes	3,340,236	-	-	-	3,340,236
Franchise taxes	1,412,958	-	-	-	1,412,958
Licenses and permits	1,570,843	-	-	-	1,570,843
Intergovernmental	8,693,199	4,163,530	-	39,658	12,896,387
Charges for services	2,262,207	-	-	-	2,262,207
Fines and forfeitures	102,160	-	-	54,179	156,339
Investment earnings	4,448,561	118,529	524,313	14,078	5,105,481
Other	99,496	-	-	2,632	102,128
Total Revenues	<u>35,184,573</u>	<u>6,944,838</u>	<u>5,014,440</u>	<u>110,547</u>	<u>47,254,398</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General and administrative	6,607,171	-	-	-	6,607,171
Animal control	351,688	-	-	-	351,688
Code enforcement	312,926	-	-	-	312,926
Shop	574,522	-	-	-	574,522
Public safety:					
Police	6,381,023	-	-	161,741	6,542,764
Fire	7,425,981	-	-	-	7,425,981
Inspection	782,292	-	-	-	782,292
Streets and parks	4,762,798	-	-	-	4,762,798
Debt service:					
Principal retirement	260,000	-	-	-	260,000
Interest and fiscal charges	33,384	-	-	-	33,384
Capital outlay:					
General government	586,787	-	-	-	586,787
Streets and parks	-	7,278,478	1,489,413	-	8,767,891
Total Expenditures	<u>28,078,572</u>	<u>7,278,478</u>	<u>1,489,413</u>	<u>161,741</u>	<u>37,008,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,106,001</u>	<u>(333,640)</u>	<u>3,525,027</u>	<u>(51,194)</u>	<u>10,246,194</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	(2,000,000)	-	-	-	(2,000,000)
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
Net change in fund balances	5,106,001	(333,640)	3,525,027	(51,194)	8,246,194
Fund balances - beginning	<u>14,220,062</u>	<u>1,701,857</u>	<u>12,181,268</u>	<u>228,064</u>	<u>28,331,251</u>
Fund balances - ending	<u>\$ 19,326,063</u>	<u>\$ 1,368,217</u>	<u>\$ 15,706,295</u>	<u>\$ 176,870</u>	<u>\$ 36,577,445</u>

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

**CITY OF SULPHUR, LOUISIANA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2024**

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

Net change in fund balances - total governmental funds	\$ 8,246,194
Internal service funds are used by management to charge the cost of insurance to individual funds. The net expenses of the activities of internal service fund is reported within the governmental activities.	(122,667)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets acquisitions exceed depreciation in the current period.	
Capital asset acquisitions	9,444,092
Depreciation and amortization expense	(2,847,864)
Net book value of capital assets retired during year	(29,869)
Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the Statement of Activities since the payment is applied against the bonds payable on the Statement of Net Position.	260,000
The net effect of various other transactions that increase net position.	(337,800)
Governmental funds do not report net change in other postemployment benefits (OPEB) obligations. However, this expense does appear in the Statement of Activities since the payable is reported on the Statement of Net Position.	197,404
Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Pension contributions	3,520,060
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>(1,079,812)</u>
Changes in net position of governmental activities	<u><u>\$ 17,249,738</u></u>

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

**CITY OF SULPHUR, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
As of June 30, 2024

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Public Utility</b>	<b>Workers' Compensation/ Health Insurance</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 648,118	\$ 1,953,722
Accounts receivable	1,218,391	3,455
Sales tax receivable	223,995	-
Prepaid expenses	115,596	110,910
Inventories	140,561	-
Total Current Assets	<u>2,346,661</u>	<u>2,068,087</u>
Noncurrent Assets:		
Investments	9,878,605	2,391,573
Capital assets:		
Land and construction in progress	23,429,042	-
Capital assets, net of accumulated depreciation	43,349,379	-
Total Noncurrent Assets	<u>76,657,026</u>	<u>2,391,573</u>
Total Assets	<u>79,003,687</u>	<u>4,459,660</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Resources related to pensions and OPEB	2,053,255	-
Total Deferred Outflow of Resources	<u>2,053,255</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	626,363	-
Accrued salaries and benefits	141,248	-
Accrued compensated absences	220,622	-
Bonds payable	1,135,000	-
Interest payable	188,274	-
Claims payable	-	1,535,606
Customer deposits payable	310,605	-
Other post-employment benefits	66,947	-
Total Current Liabilities	<u>2,689,059</u>	<u>1,535,606</u>
Noncurrent Liabilities:		
Accrued compensated absences, noncurrent	151,370	-
Bonds payable	7,050,358	-
Other post-employment benefits, noncurrent	3,197,436	-
Net pension liability	2,944,991	-
Total Noncurrent Liabilities	<u>13,344,155</u>	<u>-</u>
Total Liabilities	16,033,214	1,535,606
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Resources related to pensions and OPEB	3,943,093	-
Total Deferred Inflow of Resources	<u>3,943,093</u>	<u>-</u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	59,728,063	-
Unrestricted	1,352,572	2,924,054
Total Net Position	<u>\$ 61,080,635</u>	<u>\$ 2,924,054</u>

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



**CITY OF SULPHUR, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2024**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Public Utility</b>	<b>Workers' Compensation</b>
Operating revenues:		
Charges for services:		
Water sales and fees	\$ 4,076,930	\$ -
Wastewater fees	5,938,694	-
Water and sewer taps fees	28,346	-
Workers' compensation and health insurance fees	-	3,218,412
Total operating revenues	<u>10,043,970</u>	<u>3,218,412</u>
Operating expenses:		
General and administrative	1,607,515	417,082
Water expenses	3,515,736	
Wastewater expenses	4,817,939	-
Depreciation	2,129,046	-
Claims	-	2,560,889
Insurance	-	117,774
Total operating expenses	<u>12,070,236</u>	<u>3,095,745</u>
Operating income (loss)	<u>(2,026,266)</u>	<u>122,667</u>
Nonoperating revenues (expenses):		
Sales taxes	1,781,532	-
Investment earnings	677,146	126,306
Interest expense	(355,970)	-
Grants	-	-
Other	359,490	-
Total non-operating revenues (expenses)	<u>2,462,198</u>	<u>126,306</u>
Income (loss) before capital contributions and transfers	435,932	248,973
Transfers in (out)	<u>2,000,000</u>	<u>-</u>
Income (loss)	2,435,932	248,973
Net position - beginning	<u>58,644,703</u>	<u>2,675,081</u>
Net position - ending	<u>\$ 61,080,635</u>	<u>\$ 2,924,054</u>

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

**CITY OF SULPHUR, LOUISIANA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2024**

	Business-Type Activities - Enterprise Fund <u>Water and Wastewater</u>	Governmental Activities - Internal Service Fund <u>Workers' Compensation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 9,972,793	\$ -
Receipts from interfund charges for risk management services	-	3,218,997
Payments to suppliers and service providers	(5,748,253)	(542,656)
Payment to employees for salaries and benefits	(3,407,866)	-
Payments made for claims	-	(2,400,858)
Net cash provided by (used for) operating activities	<u>816,674</u>	<u>275,483</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from sales taxes	1,763,936	-
Other	2,359,490	-
Net cash (used for) noncapital and related financing activities	<u>4,123,426</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisitions and construction of capital assets	(9,514,987)	-
Principal paid on capital debt	(1,075,000)	-
Interest paid on capital debt	(439,750)	-
Net cash provided by (used for) capital and related financing activities	<u>(11,029,737)</u>	<u>-</u>
<b>CASH FLOWS FORM INVESTING ACTIVITIES</b>		
(Purchase) sale of investments	1,235,676	(2,517,879)
Interest on investments	677,146	126,306
Net cash provided by investing activities	<u>1,912,822</u>	<u>(2,391,573)</u>
Net increase (decrease) in cash and cash equivalents	(4,176,815)	(2,116,090)
Cash and cash equivalents, beginning of the year	4,824,933	4,069,812
Cash and cash equivalents, end of the year	<u>648,118</u>	<u>1,953,722</u>
Cash and cash equivalents at the end of the year consisted of:		
Unrestricted cash	648,118	\$ 1,953,722
Restricted cash	-	-
	<u>\$ 648,118</u>	<u>\$ 1,953,722</u>

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

**CITY OF SULPHUR, LOUISIANA**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**For The Year Ended June 30, 2024**

**(Continued)**

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Water and Wastewater	Workers' Compensation
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	<u>\$ (2,026,266)</u>	<u>\$ 248,973</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,129,046	-
(Increase) decrease in receivables	(42,831)	585
(Increase) decrease in inventory	(31,337)	-
(Increase) decrease in prepaid items	61,263	(7,800)
Increase (decrease) in customer deposits	(3,009)	-
Increase (decrease) in accounts payable	(429,954)	33,725
Increase (decrease) in accrued liabilities	10,763	-
Increase (decrease) in deferred inflows	(312,707)	-
(Increase) decrease in deferred outflows	1,843,334	-
Increase (decrease) in pension and other post-employment benefits	(381,628)	-
Total Adjustments	<u>2,842,940</u>	<u>26,510</u>
Net Cash Provided by (Used for ) Operating Activities	<u>\$ 816,674</u>	<u>\$ 275,483</u>

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

**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**

**1) Summary of Significant Accounting Policies**

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely on a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally *separate component* units for which the primary government is financially accountable.

**B. Reporting entity**

The City of Sulphur (City) was incorporated under the provisions of the State of Louisiana LA R.S. 33:321-481. The City operates under a home rule charter, which is governed by an elected mayor and five-member governing council.

The accounting and financial reporting policies of the City conform to accounting principles generally accepted in the United *States* of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. Following is a summary of certain 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 statement purposes. In accordance with generally accepted accounting principles, this report should also include component units, which are legally separate from the City but considered to be fiscally dependent on the primary government.

**Component units.** Component units are not discretely presented in this report. Further disclosures concerning such units are provided below.

The City Court of Sulphur and for Ward Four (Court) is dependent on the City for office space, court rooms and partially funding the Court Judge's salary. Additionally, the City's provides partial funding for court employees and other operating expenses. The Court was determined to be a component unit of the City, the primary reporting entity.

The Ward Four Marshal is dependent on the City for office space and partially funding the Marshal's salary. Additionally, the City's provides partial funding for the salary expenses and other operating expenses. The Ward Four Marshal was determined to be a component unit of the City, the primary reporting entity.

Only the primary government's financial information is included in these financial statements. Information on how to obtain component unit financial statements can be obtained by contacting the Director of Finance for the City of Sulphur, Louisiana.

CITY OF SULPHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

**C. Basis of presentation - government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of presentation - fund financial statements**

The fund financial statements provide information about the government's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other funds.

The *public improvement capital project fund* accounts for the acquisition, construction, and improvements of major capital facilities.

The *street improvement capital project fund* accounts for capital improvements related to the opening, construction, paving, and improving of streets.

The City reports the following major enterprise fund:

The *public utility fund* accounts for activities of the water distribution system and wastewater collection and treatment.

Additionally, the City also reports the following fund types:

*Internal service fund* is used to account for the workers' compensation program provided to other departments of the City.

*Debt service fund* is used to account for the accumulation of resources and the payments made for principal, interest, and related cost on long-term debt obligations of governmental funds.

*Drug seizure funds* are special revenue funds, which account for the receipt and use of the proceeds. The City maintains a separate fund for each Federal and State program. The funds have been consolidated because they are similar in nature.

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**F. Budgetary information**

**Adoption Process**

The City annually adopts and implements an operating and capital budget in accordance with requirements of state law for the General Fund and all Special Revenue Funds. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The Capital Projects Fund's budget is a project-based capital budget. Policies and procedures with respect to budgetary control are as follows.

No later than sixty days prior to the beginning of each fiscal year, the Mayor submits a budget to the City Council. The Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. The budget presented is as amended by the City Council.

**Basis of accounting**

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 accounting principles generally accepted in the United States of America, outstanding encumbrances at year end for which goods or services are 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 included as reappropriations 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 annual cancellation and re-appropriation.

**Excess of Expenditures over Appropriations**

The legal level of budgetary control for the General Fund is at the department level. Expenditures of various departments did exceed appropriated amounts. However, the expenditures of General Fund did not exceed the appropriated amount. A formal budget amendment is not required according to state law since the General Fund's total expenditures did not exceed appropriated expenditures by more than five percent.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**1. Cash and cash equivalents**

The City'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.

**2. Investments**

The City investments are limited to U.S. Treasury and government agency obligations as well as investments in the Louisiana Asset Management Pool, Inc. (LAMP) and the Certificate of Deposit Account Registry Service (CDARS). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana which operates a local government investment pool. CDARS is an investment vehicle providing full FDIC insurance for the purchase of certificates of deposit.

Investments are reported at fair value except for LAMP investments which are stated at cost, which approximates market and is equal to the value of the pool shares. Fair value is determined by obtaining "quoted" year-end market prices.

**3. Inventory and prepaid items**

Inventory is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Certain contracts and insurance payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and the proprietary funds financial statements. The cost of prepaid items is recorded as expenditures/expenses when purchased in the governmental funds.

**4. Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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



**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

Depreciation is provided over the estimated useful lives of assets using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Property and plant	15-50 years
Equipment	5-15 years
Transportation equipment	5-10 years
Infrastructure	25-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**5. Accounts Receivable**

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

The City utilizes the allowance method for proprietary funds to recognize doubtful accounts. Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due. The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end.

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 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.

**6. Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be paid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and special assessment payables.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial 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 government has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**9. Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**10. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes the City classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in 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 grantors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internal imposed by the City through formal action of the City and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for a specific purpose that are considered to be neither restricted nor committed. Fund balance can be assigned by the City Council.
- Unassigned - includes fund balance amounts within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**H. Revenues and expenditures/expenses**

**1. Program revenues**

Amounts reported as 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 (including special assessments) that are restricted to meet the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property taxes**

Property taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Property taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year.

**3. Compensated Absences**

It is the City's policy to permit regular full-time and part-time employees to accumulate earned but unused vacation and sick leave benefits.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

if they have matured, for example, as result of an employee resignations and retirements.

Unused sick leave may be accumulated from year to year. However, unused sick leave is paid up to a maximum of 65 days upon retirement. Sick leave liability is reported at the estimated value in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

#### **4. Proprietary funds operating and nonoperating revenues and expenses**

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 the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

##### **I. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect: (1) the reported amount of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenditures or expenses included on the financial statements. Actual results could differ from those estimates.

##### **2) Restricted Assets**

Customer deposits of the public utility fund, bond proceeds and cash held by paying agent of the public utility fund are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Position since the use of these funds are limited.

##### **3) Cash and Investments**

As of June 30, 2024, the City had cash and cash equivalents (book balances) totaling \$10,664,509 (net of outstanding checks and deposit in transit) of which includes cash on hand of \$3,487.

As of June 30, 2024, the City had investments totaling \$8,637,268 of which \$566,664 is in certificates of deposit with maturities not exceeding one year and \$8,070,604 consisting of callable investments of United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies. As of June 30, 2024, the weighted average maturity of the City's callable investment portfolio was 2.25 years.

*Credit risk.* Louisiana statutes allow the City to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies. The City does not have a deposit policy for custodial credit risk.

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit 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.

Deposits held by LAMP at June 30, 2024, consist of \$23,602,596 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds (LAMP is a 2a7-like investment pool) and therefore not evidenced by securities that exist in physical or book entry form. Also, pooled investments are excluded from the concentration of credit risk 5 percent disclosure requirement and foreign currency risk is not applicable to 2a7-like pools.

LAMP is administrated by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. LAMP is not registered with the SEC as an investment company. LAMP's annual financial statements can be obtained from the Louisiana Legislative Auditor's website.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted-average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At June 30, 2024, the weighted-average maturity cannot exceed 90 days. The weighted-average maturity for LAMP's total investments was 18 days as of June 30, 2024. LAMP is rated AAAM by Standard & Poors. The District does not have credit or interest rate risk policies for investments.

*Interest Rate Risk.* Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that, in the event of bank failure, the City’s deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2024, the City had \$9,028,817 in demand deposits (bank balances before outstanding checks or deposits in transit) and \$566,664 in certificates of deposit. These deposits are secured from risk by \$1,129,214 of federal deposit insurance and federal treasury obligations and \$8,284,696 collateralized with securities held by the pledging financial institution’s trust department or agent, in the City’s name.

Under Louisiana Revised Statutes 39:2955, the City may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana Law and National Banks having a principal offices in Louisiana. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**4) Property Taxes**

For the year ended June 30, 2024, taxes of 16.45 mills were levied on property with net assessed valuations totaling \$200,075,966 and were dedicated as follows:

General purposes	5.85 mills
Streets - maintenance	5.30 mills
Fire - maintenance	5.30 mills
Total taxes levied	\$ 3,340,236

The City is permitted by ordinance to levy taxes up to 15.52 mills of assessed valuation for general governmental services. The general-purpose millage is perpetual, while the streets and fire maintenance mileages are for ten-year durations and expire December 31, 2024. Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

**5) Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables as of June 30, 2024, for major governmental funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

<b>Receivables</b>	<u>General</u>	Public	Street	Nonmajor	<u>Total</u>
		<u>Improvement Capital Project</u>	<u>Improvement Capital Project</u>		
Sales taxes	\$ 1,510,329	\$ 17,283	\$ 204,946	\$ -	\$ 1,732,558
Charges for services	271,588	-	-	-	271,588
Franchise taxes	311,918	-	-	-	311,918
Special assessments	-	-	-	-	-
Interest	-	-	-	-	-
Other	5,396,029	-	-	3,438	5,399,467
Gross receivables	\$ 7,489,864	\$ 17,283	\$ 204,946	\$ 3,438	\$ 7,715,531
Less: Allowance for uncollectables	(49,470)	-	-	-	(49,470)
Net receivable	\$ 7,440,394	\$ 17,283	\$ 204,946	\$ 3,438	\$ 7,666,061

Revenues of the Public Utility, an enterprise fund, are reported net of uncollectible amounts. As of June 30, 2024, the total uncollectible amounts related to water sales and wastewater services amounted to \$154,294.

**6) Council Members Compensation**

Each council member receives monthly compensation. The following is a list of council members and their compensation for the fiscal year ended June 30, 2024:

Dru Ellender	\$ 4,200
Melinda Hardy	\$ 4,200
Joy Abshire	\$ 4,200
Mandy Thomas	\$ 4,200
Nicholas Nezat	\$ 4,200

The compensation paid to the Mayor for the year end June 30, 2024, is as follows:

Michael Danahay \$ 99,000

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**7) Capital Assets**

Capital assets activity for the year ended June 30, 2024, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>End of Year</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,019,747	\$ 26,500	\$ -	\$ -	\$ 3,046,247
Construction in progress	16,918,861	12,113,311	(199,061)	-	28,833,111
Total capital assets not being depreciated	<u>19,938,608</u>	<u>12,139,811</u>	<u>(199,061)</u>	<u>-</u>	<u>31,879,358</u>
Capital assets being depreciated:					
Buildings	10,070,192	136,764	-	-	10,206,956
Furniture and equipment	7,581,694	301,789	(2,343,311)	-	5,540,172
Transportation equipment	8,778,475	668,880	(182,878)	-	9,264,477
Infrastructure	77,803,667	7,785	-	-	77,811,452
Total capital assets being depreciated	<u>104,234,028</u>	<u>1,115,218</u>	<u>(2,526,189)</u>	<u>-</u>	<u>102,823,057</u>
Less accumulated depreciation for:					
Buildings	(3,919,671)	(251,156)	-	-	(4,170,827)
Furniture and equipment	(6,168,008)	(236,085)	2,313,442	-	(4,090,651)
Transportation equipment	(5,084,782)	(535,946)	182,878	-	(5,437,850)
Infrastructure	(52,885,323)	(1,777,510)	-	-	(54,662,833)
Total accumulated depreciated	<u>(68,057,784)</u>	<u>(2,800,697)</u>	<u>2,496,320</u>	<u>-</u>	<u>(68,362,161)</u>
Governmental activities capital assets, net:	<u>\$ 56,114,852</u>	<u>\$ 10,454,332</u>	<u>\$ (228,930)</u>	<u>\$ -</u>	<u>\$ 66,340,254</u>

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

General and administrative	\$ 231,071
Fire	324,619
Police	218,762
Streets and park	1,954,838
Inspection	14,203
Animal control	19,315
Code enforcement	2,408
Shop	35,481
Total	<u>\$ 2,800,697</u>

The City had various construction project in progress at year end June 30, 2024 totaling \$45,496,176, that are estimated to be complete in fiscal year June 30, 2025.



**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>End of Year</u>
Business type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 16,663,065	\$ 9,275,648	\$ (2,509,671)	\$ -	\$ 23,429,042
Capital assets being depreciated:					
Buildings and plant	91,102,877	2,585,209	(201,540)	-	93,486,546
Furniture and equipment	1,644,048	53,736	(28,298)	-	1,669,486
Transportation equipment	1,854,420	101,815	-	-	1,956,235
Total capital assets being depreciated	<u>94,601,345</u>	<u>2,740,760</u>	<u>(229,838)</u>	<u>-</u>	<u>97,112,267</u>
Less accumulated depreciation for:					
Buildings and plant	(49,940,038)	(1,863,133)	201,540	-	(51,601,631)
Furniture and equipment	(870,837)	(109,155)	28,298	-	(951,694)
Transportation equipment	(1,052,805)	(156,758)	-	-	(1,209,563)
Total accumulated depreciated	<u>(51,863,680)</u>	<u>(2,129,046)</u>	<u>229,838</u>	<u>-</u>	<u>(53,762,888)</u>
Business type activities capital assets, net:	<u>\$ 59,400,730</u>	<u>\$ 9,887,362</u>	<u>\$ (2,509,671)</u>	<u>\$ -</u>	<u>\$ 66,778,421</u>

**8) Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Revenue bonds	\$ 1,735,000	\$ -	\$ 260,000	\$ 1,475,000	\$ 270,000
Right of use liability	-	200,677	-	200,677	47,978
Compensated absences	1,484,986	-	11,138	1,473,848	1,300,251
Net pension liability	28,008,948	-	2,713,384	25,295,564	-
Other post-employment benefit	17,852,232	124,598	-	17,976,830	566,076
	<u>\$ 49,081,166</u>	<u>\$ 325,275</u>	<u>\$ 2,984,522</u>	<u>\$ 46,421,919</u>	<u>\$ 2,184,305</u>
Business-type activities:					
Revenue bonds	\$ 9,352,388	\$ -	\$ 1,167,030	\$ 8,185,358	\$ 1,135,000
Compensated absences	371,992	-	-	371,992	220,622
Net pension liability	3,171,831	-	226,840	2,944,991	-
Other post-employment benefit	3,419,171	-	154,788	3,264,383	66,947
	<u>\$ 16,315,382</u>	<u>\$ -</u>	<u>\$ 1,548,658</u>	<u>\$ 14,766,724</u>	<u>\$ 1,422,569</u>

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

The payments on the revenue bonds are paid from general fund revenues. Revenue bonds payable in the proprietary fund include bond premium, net of amortization \$379,912. The bond premium will be amortized over the life of the bonds using the interest method.

Bonds payable at June 30, 2024 are comprised of the following individual issues:

Revenue bonds:

Series 2016 \$3,100,000 revenue bonds dated August 1, 2016, due in annual principal installments of \$205,000 to \$320,000, plus interest, through August 1, 2028, interest at 2.08%	\$ 1,475,000
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Revenue bonds:

Series 2018 \$13,670,000 revenue bonds dated March 22, 2018, due in annual principal installments of \$980,000 to \$1,450,000, plus interest, through February 1, 2030, interest at 3 to 5%	7,720,000
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Total bonds payable	\$ 9,195,000
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The annual requirements to amortize all bonds are as follows:

Year Ending <u>June 30</u>	Governmental Activities		Business Type	
	Principal	Interest	Principal	Interest
2025	270,000	27,872	1,135,000	386,000
2026	285,000	22,100	1,190,000	329,250
2027	295,000	16,068	1,250,000	269,750
2028	305,000	9,828	1,315,000	207,250
2029	320,000	3,328	1,380,000	141,500
2030	-	-	1,450,000	72,500
	\$1,475,000	\$ 79,196	\$ 7,720,000	\$ 1,406,250

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**9) Dedication of Sales Tax Proceeds**

One Percent Sales and Use Tax – Proceeds of the one percent (1%) sales and use tax levied and collected by the City. This tax was authorized in 1966 for a perpetual duration. The proceeds are dedicated to the following purposes:

Fifty Percent (50%), but not to exceed the total annual debt service on any and all bonds secured by pledge of Proceeds of this fund to the City, which proceeds shall be dedicated and used for any of the following capital improvements: opening, construction, paving and improving streets, sidewalks, roads and alleys, constructing bridges, purchasing or constructing water works, sewerage and sewerage disposal works, drains, drainage canals, pumping plants and waste disposal facilities, facilities for pollution control and abatement, water and waste water systems, halls, courthouses, auditoriums, jails, public parks and recreation facilities. Other public works and/or buildings, title to which said works, buildings and improvements shall be in the Public.

After payment of above costs:

- 1) Ten percent (10%), but not to exceed \$150,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Streets and Parks Department for any lawful purpose.
- 2) Ten percent (10%), but not to exceed \$150,000 annually, without subsequent approval- of the Council of the City of Sulphur, Louisiana, to the Public Utilities Department for any lawful purpose.
- 3) Seven percent (7%), to the General Fund of the City of Sulphur, Louisiana for operating expenses of the City and for any other lawful purpose.
- 4) Ten percent (10%), but not to exceed \$150,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana to the general fund of the City of Sulphur, Louisiana, for salaries and salary increases to employees of the City of Sulphur, Louisiana, based on a merit and cost-of-living evaluation system.
- 5) Three percent (3%), but not to exceed \$45,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Fire Department for any lawful purpose.
- 6) Ten percent (10%), together with any excess portion of any of the foregoing allocations, to a reserve and match money fund, which fund shall be used first to satisfy any bond issue or bond indenture requirements, and after said bond indenture requirements have been satisfied, any excess funds to be used as matching money for any state and federal grant program or for any lawful corporate purpose at the discretion of the City of Sulphur, Louisiana.

Additional One Percent Sales and Use Tax - Proceeds of the one percent (1%) sales and use tax levied and collected by the City. This tax was original authorized in 1980, and has re-authorized for an additional 25 years from January 1, 2005. The proceeds may be used for virtually any capital or operating needs of the City.

Additional One-Half Percent Sales and Use Tax - Proceeds of the one-half of one percent (½%) sales and use tax levied and collected by the City. This tax was original authorized in 1991, and has re-authorized for an additional 10 years from April 1, 2021. The proceeds are dedicated for improving streets, sewerage disposal, water systems, and waste water systems.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**10) Employee Retirement Systems**

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, Municipal Police Employees' Retirement System, Firefighters' Retirement System of the State of Louisiana, and Louisiana State Employee's Retirement System. 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. Additional disclosures with respect to the City's participation in these systems are provided below.

**A. Municipal Employees' Retirement System (MERS)**

**Plan Description**

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2016, there were 85 contributing municipalities in Plan A and 68 in Plan B. The City is a participating member of Plan A.

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

**Retirement Benefits**

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

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

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

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

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

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

#### **Survivor Benefits**

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

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

#### **DROP Benefits**

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

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

#### **Cost of Living Increases**

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

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**Deferred Benefits**

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

**Contributions**

Employer contributions are actuarially determined each year. For the year ending June 30, 2024, the actual employer and employee contribution rates for Plan A were 29.50% and 9.50%, respectively.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

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

At June 30, 2024, the City reported a liability of \$9,986,407 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. At June 30, 2024 the City owed \$-0- to the MERS plan.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended June 30, 2024, the City recognized pension expense of \$1,522,403. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 6,702	\$ 91,319
Net difference between projected and actual earnings on pension plan investments	1,147,547	-
Change in assumption	-	-
Change in proportion	649,306	-
City contributions made subsequent to measurement date	1,685,662	-
Total	\$ 3,489,217	\$ 91,319

The City's contributions during the year ended June 30, 2024, reported as deferred outflows, of \$1,685,662 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

Year ended June 30:	
2025	\$ 727,552
2026	225,243
2027	832,497
2028	(73,056)
	<u>\$ 1,712,236</u>

**Actuarial Methods and 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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2024 are as follows:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.85%, net of investment expense, including inflation
Projected Salary Increases	1 to 4 years service 6.4%; more than 4 years 4.5%
Mortality Rates	PubG-2010(B) set equal to 120% MP2018 Scales
Expected Remaining Service Lives	3 years
Inflation Rate	2.5%

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the Sytem's targe asset allocation as of June 30, 2023 are summarized in the following table:

		Long Term
		Expected
	Target	Portfolio Real
<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Public Equity	56%	2.44%
Public Fixed Income	29%	1.26%
Alternatives	15%	0.65%
Totals	100%	4.35%
Inflation		2.50%
Expected Nominal Return		6.85%

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Systems actuary.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**Sensitivity to Changes in Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2024.

	Change	in Discount	Rate
	1% Decrease	Current	1% Increase
	5.85%	6.85%	7.85%
Net Pension Liability	\$ 13,844,879	\$ 9,986,407	\$ 6,727,155

**Retirement System Audit Report**

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2023. Access to the report can be found on the Louisiana Legislative Auditor's website, [www.lla.la.gov](http://www.lla.la.gov).

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

**Plan Description**

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

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Membership Prior to January 1, 2013**

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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



## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

#### **Membership Commencing January 1, 2013**

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

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

#### **Deferred Retirement Option Plan**

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

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

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

**Initial Benefit Option Plan**

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

**Contributions**

Employer contributions are actuarially determined each year. For the year ended June 30, 2024, total contributions due for employers and employees were 39.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 31.25% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 32.25% and 7.5%, respectively.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2024 and excluded from pension expense.

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

At June 30, 2024, the City reported a liability of \$9,238,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. At June 30, 2024 the City owed \$-0- to the MPERS plan.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended June 30, 2024, the City recognized pension expense of \$1,052,028. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 650,791	\$ -
Net difference between projected and actual earnings on pension plan investments	997,397	3,873
Change in assumption	154,170	-
Change in proportion	-	1,139,186
City contributions made subsequent to measurement date	1,062,972	-
<b>Total</b>	<b>\$ 2,865,330</b>	<b>\$ 1,143,059</b>

The City's contributions during the year ended June 30, 2024, reported as deferred outflows, of \$1,062,972 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2025. 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:	
2025	\$ 46,587
2026	(83,427)
2027	745,708
2028	(49,569)
	<u>\$ 659,299</u>

**Actuarial Methods and 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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2024 are as follows:

Valuation Date	June 30, 2023	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	6.750%, net of investment expense	
Salary increases, including inflation and merit	Years of Service	Salary Growth
	1 - 2	12.30%
	Over 1	4.70%
Expected Remaining Service Lives	4 years	

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

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

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

		Long Term Expected
	Target	Portfolio Real
<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Equity	52.0%	3.29%
Fixed Income	34.0%	1.12%
Alternative	14.0%	0.95%
Other	0%	0.00%
Totals	100%	5.36%
Inflation		2.54%
Expected Nominal	Return	7.90%

The discount rate used to measure the total pension liability was 6.750%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to Changes in Discount Rate**

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.750%, as well as what the employer’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2024.

	Change	in Discount	Rate
	1% Decrease	Current	1% Increase
	5.750%	6.750%	7.750%
Net Pension Liability	\$ 12,999,900	9,238,928	\$ 6,097,131

**Retirement System Audit Report**

Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2023. Access to the audit report can be found on the System’s website: [www.lampers.org](http://www.lampers.org) or on the Office of Louisiana Legislative Auditor’s official website: [www.la.state.la.us](http://www.la.state.la.us).

**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**C. Firefighters' Retirement System (FRS)**

**Plan Description**

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

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

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

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

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

**Deferred Retirement Option Plan**

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**Initial Benefit Option Plan**

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

**Contributions**

Employer contributions are actuarially determined each year. For the year ended June 30, 2024, employer and employee contributions for members above the poverty line were 33.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 35.75% and 8.0%, respectively.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2024 and excluded from pension expense.

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

At June 30, 2024, the City reported a liability of \$8,944,871 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. At June 30, 2024 the City owed \$-0- to the FRS plan.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended June 30, 2024, the City recognized pension expense of \$1,685,467. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	279,268	\$ 306,456
Net difference between projected and actual earnings on pension plan investments	1,212,366	-
Change in assumption	541,249	-
Change in proportion	159,834	1,031,405
City contributions made subsequent to measurement date	1,317,546	-
<b>Total</b>	<b>\$ 3,510,263</b>	<b>\$ 1,337,861</b>

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

The City's contributions during the year ended June 30, 2024, reported as deferred outflows, of \$1,317,546 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2025. 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:	
2025	\$ 246,364
2026	64,495
2027	933,711
2028	(389,714)
	<u>\$ 854,856</u>

#### Actuarial Methods and 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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2024 are as follows:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	6.90%, per annum
Inflation Rate	2.5%, per annum
Salary increases	Vary from 14.10% in the first two years of service to 5.20% after 3 years
Expected Remaining Service Lives	7 years
Cost of Living Adjustments	Only those previously granted

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The discount rate used to measure the total pension liability was 6.90%. 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

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

		Long Term Expected
	Target	Portfolio Real
<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Equity	56%	6.89%
Fixed Income	26%	2.64%
Alternative	18%	6.53%
Other	0%	4.02%
Totals	100%	4.40%
Inflation		2.50%
Expected Nominal	Return	6.90%

**Sensitivity to Changes in Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2024.

	Change	in Discount	Rate
	1% Decrease	Current	1% Increase
	5.90%	6.90%	7.90%
Net Pension Liability	\$ 13,799,250	\$ 8,944,871	\$ 4,896,101

**Retirement System Audit Report**

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2023. Access to the audit report can be found on the System's website: [www.lafirefightersret.com](http://www.lafirefightersret.com) or on the Office of Louisiana Legislative Auditor's official website: [www.la.state.la.us](http://www.la.state.la.us).

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

**Plan Description**

The System was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:401, as amended, for eligible state officers, employees and their beneficiaries. The projection of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the



## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

System in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

#### **Retirement Benefits**

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

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

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.

## CITY OF SULPHUR, LOUISIANA

### NOTES TO FINANCIAL STATEMENT

June 30, 2024

(Continued)

The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

#### **Deferred Benefits**

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

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

#### **Disability Benefits**

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

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making 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 Benefits**

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

**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Permanent Benefit Increases/Cost-of-Living Adjustments**

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

**Contributions**

The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Employer contributions are actuarially determined each year. For the year ending June 30, 2024, the actual City's employer and employee contribution rates were 11.50% and 38.10%, respectively.

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

At June 30, 2024, the City reported a liability of \$70,349 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

For the year ended June 30, 2024, the City recognized pension expense of \$10,591. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on pension plan investments	\$ 1,925	
Change in assumption	-	-
Change in proportion	-	-
City contributions made subsequent to measurement date	10,172	-
<b>Total</b>	<b>\$ 12,097</b>	<b>\$ -</b>

The City's contributions during the year ended June 30, 2024, reported as deferred outflows, of \$10,172 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

Year ended June 30:	
2025	\$ 1,923
2026	(2,541)
2027	3,465
2028	(922)
	<u>\$ 1,925</u>

**Actuarial Methods and 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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2024 are as follows:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.25%, net of investment expense
Projected Salary Increases	Salary increases were projected based on a 2009-2013 experience study of the System's members.
Mortality Rates	Non-disabled members - Mortality rates based on the RP- 2014 Combined Healthy Mortality Table with mortality improvement projected using MP-2018 Mortality Improvement Scale.  Disabled members — Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Service Lives	2 years
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

The discount rate used to measure the total pension liability was 7.25%. 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

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25% for 2023. Best estimates of geometric real rates of return for each major asset class allocation as of June 30, 2023 are summarized in the following table:

	Long Term Expected Portfolio Real <u>Rate of Return</u>
<u>Asset Class</u>	
Cash	0.80%
Domestic Equity	4.45%
International Equity	5.44%
Domestic Fixed Income	2.04%
International Fixed Income	5.33%
Alternative Investments	8.19%
Global Tactical Asset Allocation	<u>0.00%</u>
Total Fund	<u>5.75%</u>

**Sensitivity to Changes in Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2024.

	Change 1% Decrease	in Discount Current	Rate 1% Increase
	6.25%	7.25%	8.25%
Net Pension Liability	\$ 92,116	\$ 70,349	\$ 51,908

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**Retirement System Audit Report**

The Louisiana State Employees' Retirement System has issued stand-alone audit reports on their financial statements for the years ended June 30, 2023. Access to the reports can be found on the Louisiana Legislative Auditor's website, [www.La.gov](http://www.La.gov) and the System's website, <http://www.Lasersonline.org/site.php>.

**11) Contingencies and Commitments**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**12) Risk Management Obligations**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in fiscal year 1996. Premiums are paid into the internal service fund by the general and public utility funds and are available to pay claims, claim reserves, reinsurance premiums and administrative costs of the program. The surplus retained earnings resulting from charges for anticipated future catastrophic losses have been designated.

Liabilities related to workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$500,000 for police officers and firefighters, and \$400,000 for all other City employees. The City also was self-insured for Health Insurance as of April 1, 2017. The agreement includes a stop loss provision of \$100,000. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering recent claims settlement trends including frequency and amount of pay-outs and other economic and social factors.

The liability (current) for claims and judgments is reported in the internal service fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claims liabilities during the past year are as follows:

Unpaid claims, beginning of fiscal year	1,493,060
Incurred claims (including IBNRs)	669,470
Claim payments	(626,924)
Unpaid claims, end of fiscal year	1,535,607

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

**13) Postemployment Health Care and Life Insurance Benefits**

Plan Description - The City administers a single-employer defined benefit postemployment health care plan (“the Retiree Health Plan”). The plan provides medical and life insurance benefits to eligible retired employees and their beneficiaries through the City’s group health insurance plan, which covers both active and retired members. Benefits are provided through Blue Cross/Blue Shield whose monthly premiums/contributions are paid by the City. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City. The City pays the full cost of the benefits for retired plan members and a portion of the cost of the retirees’ spouses and dependent children. For fiscal year 2024, the City contributed \$668,869 to the plan. The plan had no assets as of June 30, 2024.

Assumptions and Other Inputs –

Actuarial Assumptions : The Total OPEB Liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date	June 30, 2024
Actuarial Valuation Date	June 30, 2024

Salary Increases	3.00%
Discount Rate	3.93%
Prior Year Discount Rate	3.65%
Health Care Cost Trend Rates	See Appendix E of Actuary Report
Retirees' Share of Benefit-Related Costs	See Appendix F of Actuary Report

The discount rate was based on the June 30, 2024 Bond Buyer 20-Bond GO Index.

Mortality rates were based on the Pub-2010 headcount weighted mortality table with generational scale MP-2020, applied for general and safety personnel.

OPEB Plan – Number of Employees Covered

Inactive employees currently receiving benefit payments	62
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>228</u>
Total	<u>336</u>

**CITY OF SULPHUR, LOUISIANA**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**(Continued)**

Changes in Total OPEB Liability

Balance at June 30, 2023	\$ 21,271,403
.	
Changes for the year:	
Service Cost	799,520
Interest	793,382
Differences between expected and actual experience	-
Changes in Assumptions/Inputs	(954,254)
Change in Benefit Terms	-
Benefit payments	(668,869)
Administrative Expense	-
Net Changes	(30,221)
Balance at June 30, 2024	\$ 21,241,182

Sensitivity of the Total OPEB Liability

	1% Decrease	No Change	1% Increase
Discount Rate	\$ 18,228,000	\$ 21,241,182	\$ 25,657,000
Healthcare Cost Trend Rates	\$ 18,228,000	\$ 21,241,182	\$ 25,071,000

OPEB Liability and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

OPEB Liability	2024	2023	2022	2021	2020
Service Cost	\$ 799,520	\$ 796,044	\$ 1,283,387	\$ 943,552	\$ 770,366.00
Interest on Liabilities	793,382	1,222,072	97,869	950,668	1,264,354
Changes in Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	-	(13,939,220)	-	(3,181,829)	80,901
Changes in Assumptions/Inputs	(954,254)	97,929	(11,798,177)	8,555,782	(2,932,952)
Benefit payments	(668,869)	(944,448)	(824,746)	(1,110,506)	(1,063,477)
Net Change in OPEB Liability	\$ (30,221)	\$ (12,767,623)	\$ (11,241,667)	\$ 6,157,667	\$ (1,880,808)
Covered employee payroll	\$ 13,476,252	\$ 12,829,000	\$ 12,092,387	\$ 12,092,387	\$ 11,740,182
Total OPEB liability as a percentage of covered employee payroll	157.7%	166.0%	367.0%	367.0%	325.7%

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

Deferred Outflows and Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ 54,705	\$(14,532,365)
Changes in Assumptions/Inputs	8,408,273	(10,399,875)
Employer amounts for OPEB subsequent to measurement date	-	-
Total Deferred Outflows and Inflows	\$ 8,462,978	\$(24,932,240)



**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

Year Ended June 30:	
2025	\$ (1,157,284)
2026	\$ (1,157,284)
2027	\$ (1,157,284)
2028	\$ (1,157,284)
2029	\$ (1,157,285)
Thereafter	\$ (10,682,841)

**14) Joint Venture**

On February 1, 2000, the Calcasieu Parish Police Jury, the West Calcasieu Port, Harbor, and Terminal District and the Industrial Development Board of the City of Sulphur entered into an amended joint service agreement with the West Calcasieu Airport Managing Board as to the development and operations of the West Calcasieu Airport Managing Board (Airport). The City owns 49.16% of the Airport. Total assets of the Airport were \$18,353,820 and \$12,085,844, and total liabilities were \$686,652 and \$306,226 as of June 30, 2024 and 2023, respectively. The Net Position of the Board increased \$5,938,615 for year ending June 30, 2024 and increased \$1,161,317 for the year ending June 30, 2023. The investment is accounted for using the equity method. Financial statements can be obtained by contacting the Director of Finance for the City of Sulphur, Louisiana.

**15) Subsequent Events**

The City evaluated its June 30, 2024 financial statements for subsequent events through the date of the financial were available to be issued. The City is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**16) Investments Measured at Fair Value**

The City applies GAAB for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements at June 30, 2024:

- U. S. Treasury obligations – callable of \$8,070,604 (Level 1 inputs)
- Certificates of deposit of \$566,664 (Level 2 inputs)

**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**17) Right-of-Use Assets and Liabilities**

The City has entered into a noncancellable lease agreement as lessee for a building. These lease agreements were entered between January 1, 2014 and July 1, 2019. All of these agreements have a 10 year lease term. The estimated interest rates for these leases range from 3.65% to 4.37%.

The City recognized a lease liability and an intangible right-to-use lease asset in their financial statements. They recognized lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of its useful life or the term of the lease.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-of-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Right-of-use assets and amortization activity as of and for the year ended June 30, 2024, is as follows:

Right-of-Use Assets:	
Buildings	\$ 327,535
Less, Accumulated Amortization:	
Buildings	<u>(113,078)</u>
Net Right-of-Use Assets	<u>\$ 214,457</u>

**CITY OF SULPHUR, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**17) Right-of-Use Assets and Liabilities (continued)**

The annual debt service requirements to maturity for these right-of-use liabilities are as follows:

<u>Year</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 47,978	\$ 8,026	\$ 56,004
2026	45,532	10,472	56,004
2027	43,211	12,793	56,004
2028	41,068	14,936	56,004
2029	<u>22,948</u>	<u>9,721</u>	<u>32,669</u>
Total	<u>\$ 200,737</u>	<u>\$280,069</u>	<u>\$ 256,685</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF SULPHUR, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For The Year Ended June 30, 2024**

	Budget			Actual	Variance
	Original	Amendments	Final		Favorable (Unfavorable)
<b>REVENUES</b>					
Taxes:					
Sales	\$ 17,450,000	\$ -	17,450,000	13,254,913	\$ (4,195,087)
Property	3,315,000	-	3,315,000	3,340,236	25,236
Franchise	1,600,000	-	1,600,000	1,412,958	(187,042)
Licenses and permits	1,527,750	-	1,527,750	1,570,843	43,093
Intergovernmental	6,984,000	(2,000,000)	4,984,000	8,693,199	3,709,199
Charges for services	2,088,700	-	2,088,700	2,262,207	173,507
Fines and forfeitures	185,000	-	185,000	102,160	(82,840)
Investment earnings	50,500	-	50,500	4,448,561	4,398,061
Other	156,020	-	156,020	99,496	(56,524)
<b>Total Revenues</b>	<b>33,356,970</b>	<b>(2,000,000)</b>	<b>31,356,970</b>	<b>35,184,573</b>	<b>3,827,603</b>
<b>EXPENDITURES</b>					
Current:					
General Government:					
General and administrative	7,154,991	-	7,154,991	6,607,171	547,820
Animal control	355,089	-	355,089	351,688	3,401
Code enforcement	462,102	-	462,102	312,926	149,176
Shop	543,829	-	543,829	574,522	(30,693)
Public safety:					
Police	6,325,087	-	6,325,087	6,381,023	(55,936)
Fire	7,130,758	-	7,130,758	7,425,981	(295,223)
Inspection	726,286	-	726,286	782,292	(56,006)
Streets and parks	5,097,034	-	5,097,034	4,762,798	334,236
Debt service	288,688	-	288,688	293,384	
Capital Outlay - General Government	-	-	-	586,787	
<b>Total Expenditures</b>	<b>28,083,864</b>	<b>-</b>	<b>28,083,864</b>	<b>28,078,572</b>	<b>596,775</b>
Excess (deficiency) of revenues over expenditures	5,273,106	(2,000,000)	3,273,106	7,106,001	4,424,378
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	(2,000,000)	(2,000,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>
Net change in fund balance	5,273,106	(2,000,000)	3,273,106	5,106,001	1,832,895
Fund balance - beginning	14,220,062		14,220,062	14,220,062	
Fund balance, ending	<u>\$ 19,493,168</u>		<u>\$ 17,493,168</u>	<u>\$ 19,326,063</u>	

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

**CITY OF SULPHUR, LOUISIANA**

**SCHEDULE OF CHANGES TO TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
For The Year Ended June 30, 2024**

Total OPEB Liability	2018	2019	2020	2021	2022	2023	2024
Service Cost	\$ 688,375	\$ 730,297	\$ 770,366	\$ 943,552	\$ 1,283,387	\$ 796,044	\$ 799,520
Interest	\$ 1,048,435	\$ 1,088,940	\$ 1,264,354	\$ 950,668	\$ 977,869	\$ 1,222,072	\$ 793,382
Changes in benefit terms	\$ -	\$ 3,672,237	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between expected and actual	\$ 85,539	\$ 2,058,224	\$ 80,901	\$ (3,181,829)	\$ -	\$ (13,929,220)	\$ -
Changes in assumptions or other inputs	\$ -	\$ 3,655,595	\$ (2,932,952)	\$ 8,555,782	\$ (11,798,177)	\$ 97,929	\$ (954,254)
Benefit payments	\$ (625,980)	\$ (864,736)	\$ (1,063,477)	\$ (1,110,506)	\$ (824,746)	\$ (944,448)	\$ (668,869)
Net Change in Total OPEB Liability	<u>\$ 1,196,369</u>	<u>\$ 10,340,557</u>	<u>\$ (1,880,807)</u>	<u>\$ 6,157,667</u>	<u>\$ (10,361,667)</u>	<u>\$ (12,757,623)</u>	<u>\$ (30,221)</u>
Total OPEB Liability - beginning	<u>\$ 28,586,907</u>	<u>\$ 29,783,276</u>	<u>\$ 40,123,833</u>	<u>\$ 38,243,026</u>	<u>\$ 44,400,693</u>	<u>\$ 34,039,026</u>	<u>\$ 21,281,403</u>
Total OPEB Liability - ending	<u>\$ 29,783,276</u>	<u>\$ 40,123,833</u>	<u>\$ 38,243,026</u>	<u>\$ 44,400,693</u>	<u>\$ 34,039,026</u>	<u>\$ 21,281,403</u>	<u>\$ 21,251,182</u>
Covered Employee Payroll	\$ 9,468,347	\$ 11,398,235	\$ 11,740,182	\$ 12,092,387	\$ 12,455,159	\$ 12,916,815	\$ 13,476,252
Total OPEB Liability as a percentage of covered employee payroll	314.6%	352.0%	325.7%	367.0%	273.0%	164.8%	157.7%

Notes to Schedule:

Changes in Benefit Terms

None

Changes in Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2018	3.62%
2019	3.13%
2020	2.45%
2021	2.20%
2022	3.54%
2023	3.65%
2024	3.93%

**CITY OF SULPHUR, LOUISIANA**

**SCHEDULE OF EMPLOYER'S PROPORTONATE SHARE  
OF THE NET PENSION LIABILITY  
For The Year Ended June 30, 2024**

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a % of it's Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
<b>MERS:</b>					
2024	2.5896%	9,986,407	5,714,108	174.8%	72.46%
2023	2.5896%	10,755,617	5,418,742	198.5%	67.87%
2022	2.5755%	6,494,924	4,911,287	132.2%	77.82%
2021	2.5755%	11,135,108	4,513,519	246.7%	64.52%
2020	2.4032%	10,927,586	4,637,932	235.6%	64.68%
2019	2.4032%	9,950,695	4,561,006	218.2%	63.94%
2018	2.3201%	9,705,931	3,292,836	294.8%	62.49%
2017	2.1894%	8,973,889	3,903,742	229.9%	62.11%
2016	2.2872%	8,170,330	3,894,754	209.8%	66.18%
2015	2.1883%	5,616,099	3,903,741	143.9%	73.99%
<b>MPERS:</b>					
2024	0.9966%	9,238,928	3,401,510	271.6%	71.30%
2023	0.9966%	10,187,246	3,146,672	323.7%	70.80%
2022	1.1425%	5,578,055	3,068,626	181.8%	84.09%
2021	1.1425%	10,559,954	3,318,052	318.3%	70.94%
2020	1.0447%	9,672,628	3,373,292	286.7%	71.01%
2019	1.0447%	8,831,687	3,305,339	267.2%	71.89%
2018	0.9823%	8,575,921	3,387,438	253.2%	70.08%
2017	0.9115%	8,543,154	3,060,414	279.2%	66.04%
2016	0.9302%	7,286,894	2,344,615	310.8%	70.73%
2015	0.9305%	5,821,009	2,484,769	234.3%	75.10%
<b>FRS:</b>					
2024	1.4598%	8,944,871	3,962,544	225.7%	77.69%
2023	1.4598%	10,293,145	3,667,458	280.7%	74.68%
2022	1.6322%	5,524,029	3,764,056	146.8%	86.78%
2021	1.6322%	11,314,091	3,871,696	292.2%	72.61%
2020	1.5361%	10,144,852	4,034,151	251.5%	73.96%
2019	1.5361%	8,835,669	3,914,711	225.7%	74.76%
2018	1.5617%	8,951,492	3,795,445	235.8%	73.54%
2017	1.4793%	9,675,763	3,648,444	265.2%	68.16%
2016	1.3671%	7,378,187	2,861,741	257.8%	72.45%
2015	1.3750%	6,118,831	2,905,260	210.6%	76.02%
<b>LASER:</b>					
2024	0.0012%	70,349	21,511	327.0%	68.40%
2023	0.0012%	84,745	21,511	394.0%	63.70%
2022	0.0012%	61,975	21,454	288.9%	72.80%
2021	0.0012%	89,902	21,454	419.0%	58.00%
2020	0.0012%	81,650	21,454	380.6%	62.90%
2019	0.0012%	80,202	21,454	373.8%	64.30%
2018	0.0018%	128,881	23,305	553.0%	62.50%
2017	0.0012%	95,330	24,774	384.8%	57.70%
2016	0.0026%	78,966	26,138	302.1%	62.70%
2015	0.0012%	74,785	23,305	320.9%	65.02%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

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

**CITY OF SULPHUR, LOUISIANA**

**SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS  
For The Year Ended June 30, 2024**

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
<b>MERS:</b>					
2023	1,685,662	1,685,662	-	5,714,108	29.50%
2023	1,598,529	1,598,529	-	5,418,742	29.50%
2022	1,448,830	1,448,830	-	4,911,287	29.50%
2021	1,276,227	1,276,227	-	4,513,519	28.28%
2020	1,289,246	1,289,246	-	4,637,932	27.80%
2019	1,233,609	1,233,609	-	4,561,006	27.05%
2018	1,070,277	1,070,277	-	3,292,836	32.50%
2017	942,762	942,762	-	3,903,742	24.15%
2016	750,673	750,673	-	3,894,754	19.27%
2015	770,989	770,989	-	3,903,741	19.75%
<b>MPERS:</b>					
2024	1,062,972	1,062,972	-	3,401,510	31.25%
2023	936,135	936,135	-	3,146,672	29.75%
2022	915,320	915,320	-	3,068,626	29.83%
2021	1,125,438	1,125,438	-	3,318,052	33.92%
2020	1,138,515	1,138,515	-	3,373,292	33.75%
2019	1,113,457	1,113,457	-	3,305,339	33.69%
2018	991,732	991,732	-	3,387,438	29.28%
2017	902,822	902,822	-	3,060,414	29.50%
2016	785,446	785,446	-	2,344,615	33.50%
2015	783,761	783,761	-	2,484,769	31.54%
<b>FRS:</b>					
2024	1,317,546	1,317,546	-	3,962,544	33.25%
2023	1,237,767	1,237,767	-	3,667,458	33.75%
2022	1,270,369	1,270,369	-	3,764,056	33.75%
2021	1,261,842	1,261,842	-	3,871,696	32.59%
2020	1,172,212	1,172,212	-	4,034,151	29.06%
2019	1,055,779	1,055,779	-	3,914,711	26.97%
2018	955,848	955,848	-	3,795,445	25.18%
2017	921,232	921,232	-	3,648,444	25.25%
2016	894,294	894,294	-	2,861,741	31.25%
2015	849,789	849,789	-	2,905,260	29.25%
<b>LASER:</b>					
2024	10,172	10,172	-	21,511	47.29%
2023	10,172	10,172	-	21,511	47.29%
2022	10,172	10,172	-	23,934	42.50%
2021	8,869	8,869	-	21,454	41.34%
2020	8,869	8,869	-	21,454	41.34%
2019	8,869	8,869	-	21,454	41.34%
2018	8,869	8,869	-	23,305	38.06%
2017	8,869	8,869	-	24,774	35.80%
2016	9,671	9,671	-	26,138	37.00%
2015	9,670	9,670	-	23,305	41.49%

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



**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF SULPHUR, LOUISIANA**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024**

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U. S. Department of Homeland Security Passed through: Louisiana Department of Homeland Security	97.036 *	<u>7,019,425</u>	<u>7,019,425</u>
Total U. S. Department of Homeland Security		<u>7,019,425</u>	<u>7,019,425</u>
Total federal assistance		<u><u>\$ 7,019,425</u></u>	<u><u>\$ 7,019,425</u></u>

\* Denotes major program

City of Sulphur, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Sulphur, Louisiana (the City) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**COMPLIANCE AND INTERNAL CONTROL REPORTS**

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

2720 RUE DE JARDIN, STE. 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

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Certified Public Accountants

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

Honorable Michael Danahay, Mayor  
And City Council Members  
City of Sulphur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sulphur, Louisiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Sulphur, Louisiana's basic financial statements, and have issued our report thereon dated December 23, 2024.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, we considered City of Sulphur, 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 Sulphur, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sulphur, 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 my 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 City of Sulphur, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 my 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.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
December 23, 2024

# STEVEN M. DEROUEN & ASSOCIATES, LLC

*Certified Public Accountants*

2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Michael Danahay, Mayor and  
City Council Members  
City of Sulphur, Louisiana

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Sulphur, Louisiana, compliance with the types of compliance requirements identified as subject in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. City of Sulphur, Louisiana, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Sulphur, Louisiana, component unit of the Calcasieu Parish Police Jury 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 June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Sulphur, Louisiana, component unit of the Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Sulphur, Louisiana, compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Sulphur, Louisiana, federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Sulphur, Louisiana, compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material

noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Sulphur, Louisiana, compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Sulphur, Louisiana, compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Sulphur, Louisiana, internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Sulphur, Louisiana, internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Steven M. DeRouen & Associates, LLC*

Lake Charles, Louisiana  
December 23, 2024



**CITY OF SULPHUR, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

Type of auditor’s report issued

Unmodified  
On Primary  
Government

Internal control over financial reporting:

Material weaknesses identified?      \_\_\_ Yes      X No

Significant deficiencies identified not considered to  
be material weaknesses?      \_\_\_ Yes      X None reported

Noncompliance material to financial statements  
noted?      \_\_\_ Yes      X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?      \_\_\_ Yes      X No

Significant deficiencies identified not considered to  
be material weaknesses?      \_\_\_ Yes      X No

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 Uniform  
Guidance?      \_\_\_ Yes      X No

Identification of major programs:

CFDA Number      Name of Federal Program or Cluster

97.036      US Department of Homeland Security

Dollar threshold used to distinguish between

Type A and Type B programs:      \$750,000

Auditee qualified as low-risk auditee?      X Yes      \_\_\_ No

**CITY OF SULPHUR, LOUISIANA**  
**Corrective Action Plan for Current Year Findings**  
**Year Ended June 30, 2024**

**Internal Control:**

None noted.

**Compliance:**

None noted.

**CITY OF SULPHUR, LOUISIANA**  
**Schedule of Prior Year Findings**  
**Year Ended June 30, 2023**

**NONE**

**CITY OF SULPHUR, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS  
AND OTHER PAYMENTS TO AGENCY HEAD  
For The Year Ended June 30, 2024**

**Agency Head:** Michael E. Danahay, Mayor

<b>Purpose</b>	<b>Amount</b>
Salary	99,000
Benefits-insurance (Health and Life)	8,052
Benefits-retirement	29,205
Benefits- Health Savings Account (H.S.A)	-
Benefits-Medicare	1,363
Benefits- Workers Comp	347
Registration fees	935
Conference travel	1,461
Special meals	-