

CITY OF PONCHATOULA, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

City of Ponchatoula, Louisiana
Table of Contents
For the Year Ended June 30, 2023

	Exhibit	Schedule	Page
Independent Auditor's Report	-	-	1 - 3
Required Supplemental Information (Part I):			
Management's Discussion and Analysis	-	-	5 - 13
Basic Financial Statements:			
Government-Wide Financial Statements:			
Statement of Net Position	A	-	15
Statement of Activities	B	-	16
Fund Financial Statements:			
Governmental Funds			
Balance Sheet	C	-	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	-	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	-	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	F	-	21
Proprietary Funds:			
Statements of Net Position	G	-	22 - 23
Statements of Revenues, Expenses, and Changes in Net Position	H	-	24
Statements of Cash Flows	I	-	25 - 26
Notes to the Financial Statements	-	-	28 - 57
Required Supplementary Information (Part II):			
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:			
General Fund	-	1	59
1% Sales Tax Fund (1965)	-	2	60
Schedules of the City's Proportionate Share of the Net Pension Liability	-	3	61
Schedules of the City's Contributions to Defined Benefit Pension Plans	-	4	62

City of Ponchatoula, Louisiana
Table of Contents (Continued)
For the Year Ended June 30, 2023

	Exhibit	Schedule	Page
Other Supplementary Information:			
Non-Major Governmental Funds:			
Combining Balance Sheet	-	5	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	-	6	65
Schedule of Compensation of Paid Elected Officials	-	7	66
Schedule of Compensation, Benefits, and Other Payments to Agency Head	-	8	67
Schedule of Compensation, Benefits, and Other Payments to the Chief of Police	-	9	68
Justice System Funding Schedule - Collecting / Disbursing Entity	-	10	69
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 <i>Government Auditing Standards</i>	-	-	71 - 72
Schedule of Findings and Questioned Costs	-	-	73 - 75
Summary Schedule of Prior Audit Findings	-	-	76
Management's Response to Audit Findings	-	-	77



Independent Auditor's Report

The Honorable Robert F. Zabbia, Mayor
and City Council Members
City of Ponchatoula, Louisiana

Report on the Audit of the Financial Statements

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 Ponchatoula, Louisiana (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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'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 and *Government 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 and *Government 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'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'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; the budgetary comparison information; the schedule of the City's proportionate share of the net pension liability; and the schedule of the City's contributions to defined benefit pension plans on pages 5 – 13 and 59 – 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

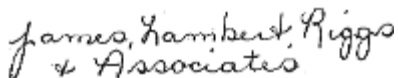
of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Combining Balance Sheet – Non-Major Governmental Funds; the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; the Schedule of Compensation, Benefits, and Other Payments to the Chief of Police; and the Justice System Funding Schedule – Collecting / Disbursing Entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet – Non-Major Governmental Funds; the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; the Schedule of Compensation, Benefits, and Other Payments to the Chief of Police; and the Justice System Funding Schedule – Collecting / Disbursing Entity 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 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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'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 the City's internal control over financial reporting and compliance.



James Lambert Riggs and Associates, Inc.
Hammond, Louisiana

December 7, 2023

**Required Supplementary Information (Part I):
Management's Discussion and Analysis**

City of Ponchatoula, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2023

As management of the City of Ponchatoula, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. Prior year comparative information for this reporting period has been included in this MD&A, along with a narrative of the changes expected from one year to the next.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the Required and Other Supplementary Information (RSI) that is provided.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Supplementary Information, which is in addition to the basic financial statements themselves.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

- A. The Statement of Net Position presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is 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 weakening.
- B. 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).

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

Governmental activities that are principally supported by taxes and intergovernmental revenues, and

Business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Net Position on Exhibit A of this report.

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$30,185,321 (net position), an increase of \$2,023,082 over last year. Of the total amount, \$3,681,347 is unrestricted net position. The City's net position is comprised of \$17,494,791 from governmental activities and \$12,690,530 from business-type activities, as shown on Exhibit A.

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 14,032,963	\$ 12,051,560	\$ 1,981,403	16.44%
Capital Assets, Net	22,196,546	21,485,077	711,469	3.31%
Right-of-Use Assets, Net	465,489	438,520	26,969	6.15%
Total Assets	<u>\$ 36,694,998</u>	<u>\$ 33,975,157</u>	<u>\$ 2,719,841</u>	8.01%
Deferred Outflows of Resources	<u>\$ 3,414,189</u>	<u>\$ 1,695,060</u>	<u>\$ 1,719,129</u>	101.42%
Liabilities				
Current Liabilities	\$ 1,827,789	\$ 1,357,471	\$ 470,318	34.65%
Long-Term Liabilities	273,949	295,699	(21,750)	-7.36%
Net Pension Liability	7,528,811	3,763,337	3,765,474	100.06%
Total Liabilities	<u>\$ 9,630,549</u>	<u>\$ 5,416,507</u>	<u>\$ 4,214,042</u>	77.80%
Deferred Inflows of Resources	<u>\$ 293,317</u>	<u>\$ 2,091,471</u>	<u>\$ (1,798,154)</u>	-85.98%
Net Position				
Net Investment in Capital Assets	\$ 21,723,288	\$ 21,627,898	\$ 95,390	0.44%
Restricted Net Position	4,780,686	4,379,814	400,872	9.15%
Unrestricted Net Position	3,681,347	2,154,527	1,526,820	70.87%
Total Net Position	<u>\$ 30,185,321</u>	<u>\$ 28,162,239</u>	<u>\$ 2,023,082</u>	7.18%

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

By far the largest portion of the City's net position (71.97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,681,347 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, for the government as a whole. The same situation held true for the prior ten fiscal years.

To further understand what makes up the changes in net position, the following table provides a summary of the results of the City's operating activities for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Activities on Exhibit B of this report.

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 2,554,854	\$ 2,286,273	\$ 268,581	11.75%
Grants and Contributions	2,121,255	1,573,441	547,814	34.82%
General Revenues:				
Taxes	8,421,985	8,396,728	25,257	0.30%
Other	<u>2,842,062</u>	<u>2,099,561</u>	<u>742,501</u>	35.36%
Total Revenues	15,940,156	14,356,003	1,584,153	11.03%
Expenses:				
Governmental Activities	11,499,147	10,016,099	1,483,048	14.81%
Business-Type Activities	<u>2,441,769</u>	<u>2,054,222</u>	<u>387,547</u>	18.87%
Total Expenses	<u>13,940,916</u>	<u>12,070,321</u>	<u>1,870,595</u>	15.50%
Change in Net Position	1,999,240	2,285,682	(286,442)	-12.53%
Net Position:				
Beginning of the Year, Original	28,162,239	25,879,078	2,283,161	8.82%
Prior Period Adjustment	<u>23,842</u>	<u>(2,521)</u>	<u>26,363</u>	-1045.74%
Beginning of the Year, Restated	<u>28,186,081</u>	<u>25,876,557</u>	<u>2,309,524</u>	8.93%
End of the Year	<u>\$ 30,185,321</u>	<u>\$ 28,162,239</u>	<u>\$ 2,023,082</u>	7.18%

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

Governmental Activities

The governmental activities of the City include General Government, Public Safety, Public Works, Cemetery, Culture and Recreation, Community Development, Public Transportation, and Miscellaneous Programs. Sales taxes, property taxes, franchise taxes, licenses, permits, and fines fund most of these governmental activities.

Here we show the City's expenditures related to those functions typically associated with governments. In the chart below, General Government includes the following departments: Legislative (City Council), Judicial, Executive, Financial, Building, and other General Administration. Public Safety encompasses the Police and Fire departments. Public Works is made up of the Street and Sanitation departments. Culture and Recreation contain the City's parks as well as Community Center activities. Community Development consists of Main Street and the Industrial Park.

<u>Governmental Expenditures</u>	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 1,931,562	16.80%
Public Safety	5,944,528	51.70%
Public Works	2,975,086	25.87%
Cemetery	39,538	0.34%
Culture and Recreation	322,242	2.80%
Community Development	88,042	0.77%
Public Transportation	31,722	0.28%
Miscellaneous Programs	146,242	1.27%
Debt Service Interest	20,185	0.18%
Total Governmental Activities	\$ 11,499,147	100.00%

General revenues are those available for the City to use to pay for the governmental activities described above:

<u>Governmental Revenues</u>	<u>Amount</u>	<u>Percentage</u>
Sales Taxes	\$ 7,291,740	66.03%
Property Taxes	1,130,245	10.23%
Licenses, Permits, and Fees	1,091,433	9.88%
Miscellaneous	1,352,221	12.24%
Revenue from Non-Employer Contributions	201,745	1.83%
Interfund Transfers In / (Out)	(150,000)	-1.36%
Gain / (Loss) on Disposition of Assets	125,775	1.14%
Total Governmental Activities	\$ 11,043,159	100.00%

Sales taxes are the largest revenue source for the City comprising 66.03% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 10.23% of total general governmental revenue.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

For the year ended June 30, 2023, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for police officer pay, firemen pay, and to purchase equipment for both departments.

	2023 Taxes		2022 Taxes	
	<u>Levied</u>	<u>Mills</u>	<u>Levied</u>	<u>Mills</u>
General Fund	\$ 443,953	6.52	\$ 419,575	6.52
Policemen Pay Millage Fund	408,546	6.00	386,112	6.00
Firemen Pay Millage Fund	136,182	2.00	128,704	2.00
Equipment Millage Fund	<u>136,182</u>	<u>2.00</u>	<u>128,704</u>	<u>2.00</u>
Total Property Taxes Levied	<u>\$ 1,124,863</u>	<u>16.52</u>	<u>\$ 1,063,095</u>	<u>16.52</u>

Business-Type Activities

The business-type activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. Only the City's water and sewer departments are reported here:

<u>Charges for Services</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2023	\$ 1,056,022	\$ 747,086
Fiscal Year Ended June 30, 2022	<u>992,329</u>	<u>722,280</u>
Increase (Decrease) Between Years	<u>\$ 63,693</u>	<u>\$ 24,806</u>

<u>Operating Expenses</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2023	\$ 1,704,699	\$ 737,070
Fiscal Year Ended June 30, 2022	<u>1,350,334</u>	<u>703,888</u>
(Decrease) Increase Between Years	<u>\$ 354,365</u>	<u>\$ 33,182</u>

2. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds, and the balances left at year end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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 short-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. These reconciliations are located on Exhibits D and F.

The City maintains seven 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 and 1965 Sales Tax Fund, which are considered to be major funds. Data from the other governmental funds (Mausoleum Trust Fund, Firemen Pay Millage Fund, Policemen Pay Millage Fund, Equipment Millage Fund, and Cemetery Endowment Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on Exhibits C and E of this report. The summary of the non-major funds is found on Schedules 5 and 6.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,098,053, an increase of \$1,734,072 over June 30, 2022. In the General Fund, the unassigned fund balance is \$3,474,918, as shown on Exhibit C.

At June 30, 2023, the City had a fund balance of \$4,255,419 in the 1965 Sales Tax Fund to provide for constructing, acquiring, extending, improving, and / or maintaining drainage facilities, streets, sidewalks, public buildings; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements, and facilities; and maintaining and operating garbage collection facilities.

The amounts in the Policemen and Firemen Pay Millage Funds have been earmarked by public election to be used only towards salaries for these departments. The total amount collected this fiscal year will be transferred to the General Fund in the next fiscal year to pay a portion of the total salaries of the City's police officers and firemen. In addition, monies in the Equipment Millage Fund are only to be spent on equipment for the police and fire departments.

Fund Balance in the City's Major Funds:

Fund Balance Date	General Fund	1965 Sales Tax Fund
June 30, 2023	\$ 6,317,367	\$ 4,255,419
June 30, 2022	4,984,167	3,846,940
Change in Fund Balance	\$ 1,333,200	\$ 408,479

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Other Supplementary Information portion of this report, beginning on Schedule 5.

- B. 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 enterprise funds to account for its Water and Sewer departments. 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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

information for the Water and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on Exhibits G, H, and I.

3. NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for 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 the pages indicated in the table of contents.

4. SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and certain other supplementary information. Required supplementary information can be found on Schedules 1 through 4 of this report.

- A. Budgetary Comparison Information – The City adopts an annual appropriated budget for its general fund, sales tax fund, and millage funds for police and fire department pay, as well as for equipment for both departments. A budgetary comparison statement has been provided for the City's major funds to demonstrate compliance, on Schedules 1 and 2.
- B. Significant variations from the general fund's original budget amounts and final budget amounts are as follows:
- Fines & Forfeitures decreased by \$113,300
 - Sales tax revenue decreased by approximately \$67,500
 - Public Works expenditures were decreased by \$2,092,000 due to a decrease in various overlay projects
 - Grant Revenues decreased by \$214,100 projects not started / completed

There were no significant variations between the general fund's final budget amounts and actual amounts.

Combining Statements of the Non-Major Governmental Funds – Special Revenue Funds (Mausoleum Trust Fund, Firemen Pay Millage Fund, Policemen Pay Millage Fund, and Equipment Millage Fund), and the Permanent Fund (Cemetery Endowment) have been provided beginning on Schedule 5.

Capital Asset and Debt Administration

1. CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation, as of June 30, 2023, in its governmental activities is \$10,656,801 and in business-type activities is \$11,539,745, which totals \$22,196,546 for the City. Capital assets include land, construction in progress, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City's net capital assets for the current fiscal year was a \$975,715 increase for governmental activities and a \$264,246 decrease for business-type activities.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

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

A. Fence – City Hall	\$11,466
B. Kitchen & Flooring City Hall	\$66,692
C. Folder Insert Machine	\$10,623
D. Tasers & Cartridges	\$88,200
E. ATV Honda Rancher	\$9,249
F. Evidence Drying Cabinet	\$7,097
G. Gutter System PD	\$24,000
H. New Bay Fire Station	\$127,555
I. Fuel Tank Structure, etc.	\$35,992
J. Fence for Yard	\$12,700
K. (2) SCBA Air Pack – Water Department	\$13,520
L. Aqua Tapping Machine	\$2,125
M. New Baffles – Sewer Department	\$230,292
N. Pumps & Installation	\$42,002
O. F-150 Sewer Department	\$44,235
P. Steam Engine Pavilion	\$62,587
Q. Athletic Park Design & Clearing	\$128,938
R. Kiwanis Playground Equipment	\$70,946
S. Tasker Playground Equipment & Fence	\$78,755

Additional information on the City's capital assets can be found in Note 7.

2. LONG-TERM DEBT

At the end of the current fiscal year, the City had no bond debt outstanding.

3. CAPITAL LEASES

At the end of the current fiscal year, the City had capital leases outstanding of \$473,258. The amount of the outstanding Vehicle Lease is \$278,945 & the outstanding PD Dispatch Console Lease is \$194,313. Additional information concerning this lease can be found in Note 10.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2024 fiscal year:

- Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing fiscal year 2023's collections, projected collections for fiscal year 2024 are comparable to 2023. The City anticipates continued commercial growth, especially along Veterans Avenue.
- During the budget planning process, funds have been designated for certain capital outlays. Those outlays include funds for continued improvements to the City's sewer and water infrastructure.
- The city budgeted additional money for street improvements and overlays.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2023

- The city budgeted additional money for citywide drainage especially the Southwest Quadrant and Barringer Road.
- Buildings permits are expected to continue at the present pace

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cheryl Hoover, Finance Manager, 125 West Hickory Street, Ponchatoula, Louisiana 70454.

**Basic Financial Statements –
Government-Wide Financial Statements**

City of Ponchatoula, Louisiana
Statement of Net Position
June 30, 2023

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 8,603,827	\$ 614,682	\$ 9,218,509
Investments	2,231,022	192,066	2,423,088
Receivables, Net	1,465,370	160,576	1,625,946
Other Current Assets	33,142	-	33,142
Internal Balances	-	333,454	333,454
Restricted Cash and Cash Equivalents	-	168,273	168,273
Restricted Investments	-	230,551	230,551
Land	600,805	224,763	825,568
Construction-in-Progress	817,724	-	817,724
Capital Assets, Net	9,238,272	11,314,982	20,553,254
Right of Use Assets, Net	465,489	-	465,489
Total Assets	\$ 23,455,651	\$ 13,239,347	\$ 36,694,998
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$ 31,352	\$ -	\$ 31,352
Changes in Assumptions	295,423	2,504	297,927
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,383,053	43,072	1,426,125
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	691,633	4,374	696,007
City Contributions Subsequent to the Measurement Date	924,196	38,582	962,778
Total Deferred Outflows of Resources	\$ 3,325,657	\$ 88,532	\$ 3,414,189
Liabilities			
Accounts Payable	\$ 507,635	\$ -	\$ 507,635
Accrued Liabilities	394,219	14,809	409,028
Internal Balance	333,454	-	333,454
Non-Current Liabilities:			
Lease Payable - Due Within One Year	199,309	-	199,309
Lease Payable - Due in More Than One Year	273,949	-	273,949
Payable from Restricted Assets - Utility Meter Deposits	-	378,363	378,363
Net Pension Liability	7,294,605	234,206	7,528,811
Total Liabilities	\$ 9,003,171	\$ 627,378	\$ 9,630,549
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$ 125,293	\$ 2,981	\$ 128,274
Changes of Assumptions	33,395	-	33,395
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	124,658	6,990	131,648
Total Deferred Inflows of Resources	\$ 283,346	\$ 9,971	\$ 293,317
Net Position			
Net Investment in Capital Assets	\$ 10,183,543	\$ 11,539,745	\$ 21,723,288
Restricted for:			
Cemetery / Mausoleum	92,068	-	92,068
Dedicated Sales Tax Usage	4,255,419	-	4,255,419
Dedicated Ad Valorem Tax Usage	433,199	-	433,199
Unrestricted	2,530,562	1,150,785	3,681,347
Total Net Assets	\$ 17,494,791	\$ 12,690,530	\$ 30,185,321

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
Statement of Activities
For the Year Ending June 30, 2023

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,931,562	\$ -	\$ -	\$ -	\$ (1,931,562)	\$ -	\$ (1,931,562)
Public Safety	5,944,528	107,724	95,866	-	(5,740,938)	-	(5,740,938)
Public Works	2,975,086	644,022	-	2,025,389	(305,675)	-	(305,675)
Cemetery	39,538	-	-	-	(39,538)	-	(39,538)
Culture and Recreation	322,242	-	-	-	(322,242)	-	(322,242)
Community Development	88,042	-	-	-	(88,042)	-	(88,042)
Public Transportation	31,722	-	-	-	(31,722)	-	(31,722)
Miscellaneous Programs	146,242	-	-	-	(146,242)	-	(146,242)
Debt Service Interest	20,185	-	-	-	(20,185)	-	(20,185)
Total Governmental Activities	11,499,147	751,746	95,866	2,025,389	(8,626,146)	-	(8,626,146)
Business-Type Activities:							
Sewer	1,704,699	1,056,022	-	-	-	(648,677)	(648,677)
Water	737,070	747,086	-	-	-	10,016	10,016
Total Business-Type Activities	2,441,769	1,803,108	-	-	-	(638,661)	(638,661)
Total	\$ 13,940,916	\$ 2,554,854	\$ 95,866	\$ 2,025,389	(8,626,146)	(638,661)	(9,264,807)
General Revenues:							
Sales Taxes					7,291,740	-	7,291,740
Property Taxes					1,130,245	-	1,130,245
Licenses, Permits, and Fees					1,091,433	-	1,091,433
Miscellaneous					1,352,221	61,562	1,413,783
Revenue from Non-Employer Contributions					201,745	7,751	209,496
Interfund Transfers In / (Out)					(150,000)	150,000	-
Gain / (Loss) on Disposition of Assets					125,775	1,575	127,350
Total General Revenues					11,043,159	220,888	11,264,047
Change in Net Position					2,417,013	(417,773)	1,999,240
Net Position - Beginning of the Year, Originally Stated					15,053,936	13,108,303	28,162,239
Prior Period Adjustment					23,842	-	23,842
Net Position - Beginning of the Year, Restated					15,077,778	13,108,303	28,186,081
Net Position - End of the Year					\$ 17,494,791	\$ 12,690,530	\$ 30,185,321

The accompanying notes are an integral part of these financial statements.

**Basic Financial Statements –
Fund Financial Statements**

City of Ponchatoula, Louisiana
 Balance Sheet – Governmental Funds
 June 30, 2023

Exhibit C

	<u>General Fund</u>	<u>Special Revenue Fund 1965 Sales Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 5,422,331	\$ 2,748,691	\$ 432,805	\$ 8,603,827
Investments	1,278,331	877,430	75,261	2,231,022
Receivables, Net				
Sales Taxes	633,693	633,415	-	1,267,108
Franchise Taxes	70,086	-	-	70,086
Garbage Collection Fees	71,503	-	-	71,503
Other Receivables	56,673	-	-	56,673
Due from Other Funds	-	-	17,201	17,201
Other Current Assets	33,142	-	-	33,142
Total Assets	<u>7,565,759</u>	<u>4,259,536</u>	<u>525,267</u>	<u>12,350,562</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	503,518	4,117	-	507,635
Accrued Liabilities	394,219	-	-	394,219
Due to Other Funds	350,655	-	-	350,655
Total Liabilities	1,248,392	4,117	-	1,252,509
Fund Balance:				
Nonspendable	-	-	61,051	61,051
Restricted, Reported in				
Special Revenue Funds	-	4,255,419	464,216	4,719,635
Committed for Water Sector	2,842,449	-	-	2,842,449
Unassigned	3,474,918	-	-	3,474,918
Total Fund Balances	<u>6,317,367</u>	<u>4,255,419</u>	<u>525,267</u>	<u>11,098,053</u>
Total Liabilities and Fund Balances	<u>\$ 7,565,759</u>	<u>\$ 4,259,536</u>	<u>\$ 525,267</u>	<u>\$ 12,350,562</u>

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 For the Year Ended June 30, 2023

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) \$ 11,098,053

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

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

Governmental Capital Assets	26,398,251
Less: Accumulated Depreciation	(15,741,450)

Right of use assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Right of Use Assets	901,142
Less: Accumulated Amortization	(435,653)

Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Capital Leases	(473,258)
----------------	-----------

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability:

Municipal Employees Retirement System of Louisiana	(1,264,230)
Firefighters' Retirement System of Louisiana	(1,540,552)
Municipal Police Employees Retirement System of Louisiana	(4,489,823)

Deferred Outflows of Resources:

Differences Between Expected and Actual Experience	31,352
Changes of Assumptions	295,423
Net Difference Between Projected and Actual Earnings on Pension	
Plan Investments	1,383,053
Changes in Proportion and Differences Between City Contributions and	
Proportionate Share of Contributions	691,633
City Contributions Subsequent to the Measurement Date	924,196

Deferred Inflows of Resources:

Differences Between Expected and Actual Experience	(125,293)
Changes of Assumptions	(33,395)
Net Difference Between Projected and Actual Earnings on Pension	
Plan Investments	-
Changes in Proportion and Differences Between City Contributions and	
Proportionate Share of Contributions	(124,658)

Net Position of Governmental Activities (Exhibit A) \$ 17,494,791

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

Exhibit E

	General Fund	Special Revenue Fund 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales Taxes	\$ 3,645,870	\$ 3,645,870	\$ -	\$ 7,291,740
Property Taxes	448,611	-	681,634	1,130,245
Franchise Taxes	356,967	-	-	356,967
Grant Revenues	2,120,681	-	-	2,120,681
Licenses and Permits	734,466	-	-	734,466
Sanitation Service Fees	644,022	-	-	644,022
Fines and Forfeitures	107,724	-	-	107,724
Other Revenues	909,505	-	3,500	913,005
Interest Income	284,312	133,807	21,671	439,790
Total Revenues	9,252,158	3,779,677	706,805	13,738,640
Expenditures:				
Current:				
General Government	2,044,152	23,698	-	2,067,850
Public Safety	5,768,679	-	65,666	5,834,345
Public Works	3,103,950	-	-	3,103,950
Cemetery	39,538	-	-	39,538
Culture and Recreation	554,025	-	-	554,025
Community Development	83,519	-	-	83,519
Public Transportation	31,499	-	-	31,499
Miscellaneous Programs	229,972	-	-	229,972
Debt Service	199,163	-	-	199,163
Total Expenditures	12,054,497	23,698	65,666	12,143,861
Excess (Deficiency) of Revenues Over Expenditures	(2,802,339)	3,755,979	641,139	1,594,779
Other Financing Sources (Uses):				
Sale of Capital Assets	137,470	-	-	137,470
Proceeds from Capital Leases	151,823	-	-	151,823
Transfers In	3,996,246	-	-	3,996,246
Transfers Out	(150,000)	(3,347,500)	(648,746)	(4,146,246)
Total Other Financing Sources (Uses)	4,135,539	(3,347,500)	(648,746)	139,293
Change in Fund Balances	1,333,200	408,479	(7,607)	1,734,072
Fund Balance - Beginning of the Year	4,984,167	3,846,940	532,874	9,363,981
Fund Balance - End of the Year	\$ 6,317,367	\$ 4,255,419	\$ 525,267	\$ 11,098,053

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2023

Exhibit F

Net Change in Fund Balances - Total Governmental Funds (Exhibit E) \$ 1,734,072

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged in the current period exceeded capital outlay.

Capital Outlay	1,978,982
Depreciation Expense	(991,572)

Governmental funds report financing leases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which amortization charged in the current period exceeded financing leases.

Right of Use Asset	151,823
Amortization Expense	(180,711)

In the statement of activities, only the loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment disposed of. (11,695)

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities. (291,041)

The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of Long-Term Debt	(151,823)
Payment of Long-Term Debt	<u>178,978</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ 2,417,013

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2023 and 2022

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2023	2022
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 378,870	\$ 235,812	\$ 614,682	\$ 1,121,496
Investments	84,261	107,805	192,066	185,831
Accounts Receivable, Net	98,140	62,436	160,576	154,977
Due from Other Funds	278,949	54,505	333,454	171,093
Total Current Assets	840,220	460,558	1,300,778	1,633,397
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents:				
Water Fund - Meter Deposits	-	168,273	168,273	6,911
Investments:				
Water Fund - Meter Deposits	-	230,551	230,551	221,916
Total Restricted Assets	-	398,824	398,824	228,827
Capital Assets:				
Property, Plant, and Equipment, at Cost	14,308,587	7,065,649	21,374,236	20,992,044
Less: Accumulated Depreciation	(7,143,301)	(2,915,953)	(10,059,254)	(9,412,816)
Land	3,170	221,593	224,763	224,763
Construction in Progress	-	-	-	-
Total Capital Assets	7,168,456	4,371,289	11,539,745	11,803,991
Total Assets	\$ 8,008,676	\$ 5,230,671	\$ 13,239,347	\$ 13,666,215
Deferred Outflows of Resources				
Changes in Assumptions	\$ 1,879	\$ 625	\$ 2,504	\$ 6,862
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,325	10,747	43,072	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	3,283	1,091	4,374	11,787
City Contributions Subsequent to the Measurement Date	28,955	9,627	38,582	34,864
Total Deferred Outflows of Resources	\$ 66,442	\$ 22,090	\$ 88,532	\$ 53,513

(Continued)

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2023 and 2022

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2023	2022
Liabilities:				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	8,556	6,253	14,809	14,332
Due to Other Funds	-	-	-	-
Total Current Liabilities (Payable from Current Assets)	8,556	6,253	14,809	14,332
Current Liabilities (Payable from Restricted Assets):				
Member Deposits	-	378,363	378,363	371,284
Total Current Liabilities (Payable from Restricted Assets)	-	378,363	378,363	371,284
Net Pension Liability	175,767	58,439	234,206	169,551
Total Liabilities	\$ 184,323	\$ 443,055	\$ 627,378	\$ 555,167
Deferred Inflows of Resources				
Differences Between Expected and Actual Experience	\$ 2,237	\$ 744	\$ 2,981	\$ 6,998
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	45,820
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	5,246	1,744	6,990	3,440
Total Deferred Inflows of Resources	\$ 7,483	\$ 2,488	\$ 9,971	\$ 56,258
Net Position				
Net Investment in Capital Assets	\$ 7,168,456	\$ 4,371,289	\$ 11,539,745	\$ 11,803,991
Unrestricted	714,856	435,929	1,150,785	1,304,312
Total Net Position	\$ 7,883,312	\$ 4,807,218	\$ 12,690,530	\$ 13,108,303

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Years Ended June 30, 2023 and 2022

Exhibit H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2023	2022
Operating Revenues:				
Charges for Services	\$ 1,056,022	\$ 747,086	\$ 1,803,108	\$ 1,714,609
Total Operating Revenues	<u>1,056,022</u>	<u>747,086</u>	<u>1,803,108</u>	<u>1,714,609</u>
Operating Expenses:				
Depreciation and Amortization	483,957	187,494	671,451	683,863
Salaries and Employee Benefits	326,490	94,652	421,142	373,922
Repairs and Maintenance	338,549	205,053	543,602	325,293
Utilities and Telephone	379,983	83,325	463,308	396,470
Supplies	41,252	68,698	109,950	82,489
Professional Fees	7,200	44,487	51,687	21,537
Environmental Testing	46,495	29,694	76,189	76,418
Insurance	40,941	17,396	58,337	57,052
Vehicle Expense	17,180	4,777	21,957	6,295
Miscellaneous	22,652	1,494	24,146	30,883
Total Operating Expenses	<u>1,704,699</u>	<u>737,070</u>	<u>2,441,769</u>	<u>2,054,222</u>
Operating Income (Loss)	(648,677)	10,016	(638,661)	(339,613)
Non-Operating Revenues / (Expenses):				
Investment Income	42,326	19,236	61,562	6,272
Sale of Property	1,575	-	1,575	-
Transfers In / Out	-	150,000	150,000	-
Revenue from Non-Employer Contributions	5,817	1,934	7,751	7,315
Total Non-Operating Revenues / (Expenses)	<u>49,718</u>	<u>171,170</u>	<u>220,888</u>	<u>13,587</u>
Change in Net Position	(598,959)	181,186	(417,773)	(326,026)
Net Position:				
Beginning of the Year:	8,482,271	4,626,032	13,108,303	13,434,329
End of the Year	<u>\$ 7,883,312</u>	<u>\$ 4,807,218</u>	<u>\$ 12,690,530</u>	<u>\$ 13,108,303</u>

The accompanying notes are an integral part of these financial statements.

City of Ponchatoula, Louisiana
Statements of Cash Flows – Proprietary Funds
For the Years Ended June 30, 2023 and 2022

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2023	2022
	Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 1,037,286	\$ 739,685	\$ 1,776,971	\$ 1,719,590
Payments to Suppliers	(894,252)	(454,924)	(1,349,176)	(996,437)
Payments to Employees	(294,710)	(107,238)	(401,948)	(400,050)
Net Cash Provided by (Used in) Operating Activities	<u>(151,676)</u>	<u>177,523</u>	<u>25,847</u>	<u>323,103</u>
Cash Flows From Noncapital Financing Activities:				
Interfund Transfers and Borrowings	(217,104)	204,743	(12,361)	(299,510)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(217,104)</u>	<u>204,743</u>	<u>(12,361)</u>	<u>(299,510)</u>
Cash Flows From Capital and Related Financing Activities:				
Construction of Capital Assets	(372,361)	(34,844)	(407,205)	(128,265)
Capital Grants	-	-	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(372,361)</u>	<u>(34,844)</u>	<u>(407,205)</u>	<u>(128,265)</u>
Cash Flows From Investing Activities:				
Interest Earned on Investments	42,326	19,236	61,562	6,272
Sale of Assets	1,575	-	1,575	-
Sale (Purchase) of Investments, Net	(3,156)	(11,714)	(14,870)	(894)
Net Cash Provided by (Used in) Investing Activities	<u>40,745</u>	<u>7,522</u>	<u>48,267</u>	<u>5,378</u>
Net Increase (Decrease) in Cash	<u>(700,396)</u>	<u>354,944</u>	<u>(345,452)</u>	<u>(99,294)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>1,079,266</u>	<u>49,141</u>	<u>1,128,407</u>	<u>1,227,701</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 378,870</u>	<u>\$ 404,085</u>	<u>\$ 782,955</u>	<u>\$ 1,128,407</u>
Reconciliation of Cash Accounts:				
Unrestricted Cash and Cash Equivalents	\$ 378,870	\$ 235,812	\$ 614,682	\$ 1,121,496
Restricted Cash and Cash Equivalents	-	168,273	168,273	6,911
Cash and Cash Equivalents - End of the Year	<u>\$ 378,870</u>	<u>\$ 404,085</u>	<u>\$ 782,955</u>	<u>\$ 1,128,407</u>

City of Ponchatoula, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2023 and 2022

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2023	2022
	Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (648,677)	\$ 10,016	\$ (638,661)	\$ (339,613)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) in Operating Activities:				
Depreciation and Amortization	483,957	187,494	671,451	683,863
Pension Expense Adjustments for Net Pension Liability Calculation	17,637	(26,537)	(8,900)	(27,617)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable, Net	(4,029)	(1,570)	(5,599)	(23,411)
Increase (Decrease) in Accounts Payable	-	-	-	-
Increase (Decrease) in Accrued Liabilities	(564)	1,041	477	1,489
Increase (Decrease) in Meter Deposits	-	7,079	7,079	28,392
Net Cash Provided By (Used In) Operating Activities	\$ (151,676)	\$ 177,523	\$ 25,847	\$ 323,103
Supplemental Disclosure of Cash Flow Information:				
Interest Paid	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

City of Ponchatoula, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2023

Narrative Profile

The City of Ponchatoula, Louisiana (the “City”) was incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected for a four-year term. The City Council consists of five council members, each elected from a separate district in the City and each serving a four-year term of office. The Mayor and each member of the City Council are compensated for their service to the City. The City is located north of New Orleans, Louisiana, and east of Baton Rouge, Louisiana, at the intersections of Interstate Highway 55 and Interstate Highway 12. The population of the City, according to the most recent census taken in 2020, is 7,822. The City currently services approximately 2,800 commercial and residential utility customers. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer utilities. The City presently maintains approximately 44 miles of roads and streets.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute (LRS) 24:513 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in its own name).
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization’s board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit / burden on the City.
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City has no component units.

B. Basic Financial Statements – Government-Wide Financial Statements

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City’s public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services are classified as governmental activities. The City’s water and sewer utility services are classified as business-type activities.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Statement of Net Position – In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

Statement of Activities – The government-wide statement of activities reports both the gross and net cost of each of the City’s functions and business-type activities. The functions are also supported by general revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reports capital-specific grants and contributions. The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City’s net position resulting from the current year’s activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures / expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. The non-major funds are combined into a single column in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures / expenses of either fund category or the governmental and business-type combined) for the determination of major funds.

Governmental Funds – The focus of the governmental funds’ measurement (in the fund statements) is the determination of and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these governmental funds and fund types:

General Fund – The General Fund is the general operating fund of the City. This fund is used to account for and report all financial transactions and resources except for those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditure for specified purposes. The 1965 Sales Tax Fund is considered to be a major fund. The Firemen Pay Millage Fund, Policemen Pay Millage Fund, Equipment Millage Fund, and Mausoleum Trust Fund are considered to be non-major funds.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Permanent Fund – Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs. The Cemetery Endowment Fund is considered to be a non-major fund for reporting purposes.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government’s business-type activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation.

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The City’s Water Enterprise Fund and Sewer Enterprise Fund account for the operations of providing water services and sewer services, respectively.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, including General, Special Revenue, and Permanent Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds’ statements. Capital assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

The government-wide statement of net position and statement of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The fund financial statements of the General, Special Revenue, and Permanent Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end, but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

The statement of net position, the statement of activities, and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

E. Budgets and Budgetary Accounting

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual budgets of state and local governments and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their budgets over the course of the year for a variety of reasons. The City's original budget is shown along with the comparison of the final budget and actual results.

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

- The Mayor, with the assistance of the Finance Manager, prepares a proposed budget and submits this budget to the City Council no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the year ended June 30, 2023, was introduced to the City Council on May 9, 2022.
- A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2023, on June 13, 2022.
- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget for the year ended June 30, 2023, was adopted on June 13, 2022.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the City Council. The budget for the year ended June 30, 2023, was amended on June 12, 2023.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the actual amounts with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules for the General Fund and 1965 Sales Tax Fund present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets, as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

F. Cash, Cash Equivalents, and Investments

The City's cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the City may also invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value using published market values.

G. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

H. Short-Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from / due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables / payables. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Inventory

The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2023, as the amount is immaterial.

J. Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements, to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively.

Capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Infrastructure is capitalized by estimate using current replacement cost for a similar asset and deflating this cost by using price indices to the acquisition year. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in the results of operations.

K. Long-Term Obligations

In the government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

L. Compensated Absences

The City's policy is to allow employees vacation pay based on employee classification and length of service. Vacation pay is not cumulative from year to year, unless written permission is granted by the employee's Department Head. Any unpaid vacation amounts are paid to employees upon separation from the City's service. Sick leave is provided for by the City and is cumulative and the employee's right to unused sick leave does not vest. The current portions of the governmental funds' compensated absences liabilities are recorded as accrued liabilities in the General Fund and Enterprise Funds.

M. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three pension plans and additions to / deductions from the plans' fiduciary net position have been determined on the accrual basis, which is the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Net Position

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

1. Net Investment in Capital Assets – consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – this component of net position consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

O. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable Fund Balance – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of the City Charter, the City Code, State or Federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Committed – amounts that can be used only for specific purposes determined by a formal vote of the Council, which is the highest level of decision-making authority for the City.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes based on the discretion of the Council.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available.

P. Interfund Transactions

Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Q. Sales and Use Taxes

Sales taxes are collected by the Tangipahoa Parish School Board and remitted to the City in the month following receipt by the Tangipahoa Parish School Board.

- The original 1965 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving drainage, streets, sidewalks, public buildings, fire department stations and equipment, and maintaining and operating garbage collection facilities. There is no expiration date on this sales and use tax.
- The additional 1982 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving sewers and sewer facilities, waterworks facilities, drainage and drain facilities, and for any other lawful corporate purpose of the City. There is no expiration date on this sales and use tax.

R. Adopted Accounting Pronouncements

The GASB issued Statement No. 96, *Subscriptions-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City adopted the provisions of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, during 2023. The implementation of this standard had no impact on the City's financial statements as of June 30, 2023.

S. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at year-end. The City complied with the provisions of the Local Budget Act in adopting and amending its budgets for the year ended June 30, 2023. See Note 1-E for the procedures the City follows regarding budgets and budgetary accounting.

No City funds had an excess of expenditures over appropriations for the year ended June 30, 2023.

B. Deposits, Investment Laws, and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 3, regarding cash and cash equivalents, and Note 4, regarding investments, the City complied with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2023, no City funds had deficit fund balances.

3. Cash and Cash Equivalents

At June 30, 2023, the City had \$9,380,439 (book balance) in interest-bearing demand deposits as follows: cash and cash equivalents of \$9,212,166 and restricted cash and cash equivalents of \$168,273. These deposits are stated at cost, which approximates market.

Under state law, deposits must be secured by federal deposit insurance or pledges of securities owned by the fiscal agent. The market value of the securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2023, \$9,296,839 of the City’s bank balance of \$9,546,839 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the City and the fiscal agent bank.

4. Investments

At June 30, 2023, the City had investments that include \$2,229,868 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$423,720 in other investments. The following table provides information on the credit ratings, maturity dates, and fair values associated with the City’s investments at June 30, 2023:

Investment	Rating	Fair Value	Percentage
US Treasuries	N/A	\$ 315,248	11.88%
Certificates of Deposit	N/A	97,292	3.67%
Cash	N/A	11,115	0.42%
LAMP	AAA/Aaa/AAA	2,229,868	84.03%
		<u>\$ 2,653,523</u>	<u>100.00%</u>

Interest Rate Risk – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Of the City's investments, \$412,605 have maturities of one to five years.

Credit Quality Risk – Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the City.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the City's name. The City has a formal investment policy regarding investment credit risk, and the investments of the City owned at June 30, 2023 were not subject to custodial credit risk.

Concentration of Credit Risk – The City has a formal limit on the amount the City may invest in any one issuer. It is the policy of the City to diversify its investment portfolio. Assets shall be diversified to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Issuers comprising 5% or more of the City’s investments at June 30, 2023 were LAMP at 84%.

Louisiana Asset Management Pool (LAMP) – State law limits the City’s investments to direct U.S. Treasury obligations; bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies; bonds, debentures, notes or other evidence of indebtedness issued by the State of Louisiana or any of its political subdivisions; direct security repurchase agreements; fully collateralized time certificates of deposit of any bank domiciled in the State of Louisiana; mutual or trust fund institutions which are registered with the Securities and Exchange Commission (SEC) and which have underlying investments consisting solely of and

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

limited to securities of the U.S. government or its agencies; guaranteed investment contracts, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; and LAMP.

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

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

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools.

Credit Risk – LAMP is rated AAAM by Standard & Poor's.

Custodial Credit Risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of Credit Risk: Pooled investments are excluded from the 5% disclosure requirement.

Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP 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. The WAM for LAMP's total investments is 72 days as of June 30, 2023.

Foreign Currency Risk: Not applicable.

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

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

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

5. Fair Value

The City categorized its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs to measure the fair value of the asset and is as follows:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

At June 30, 2023, the City’s investment in cash with a fair market value of \$11,115 and US Treasuries of \$315,248 are categorized at Level 1. The City’s certificates of deposits with a fair market value of \$97,292 are categorized at Level 2. The City’s \$2,229,868 investment in LAMP are categorized as an investment measured at net asset value.

6. Accounts Receivable

Accounts receivable as of June 30, 2023, consist of the following:

	Governmental Funds		Proprietary Funds	
	General Fund	1965 Sales Tax Fund	Sewer	Water
Utility Receivable	\$ 186,329	\$ -	222,719.00	85,518
Less: Allowance for Doubtful Accounts	(114,826)	-	(124,579)	(23,082)
Utility Receivable, Net	71,503	-	98,140	62,436
 Sales Tax Receivable	 633,693	 633,415	 -	 -
Franchise Tax Receivables	70,086	-	-	-
Other Receivables	56,673	-	-	-
Total Receivables, Net	\$ 831,955	\$ 633,415	\$ 98,140	\$ 62,436

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

7. Capital Assets

The following is a summary of capital assets for governmental activities for the year ended June 30, 2023:

	Balance 06/30/22 (Restated)	Increases	Decreases	Transfers	Balance 06/30/23
Capital Assets Not Depreciated:					
Land	575,113	\$ -	\$ -	\$ 25,692	\$ 600,805
Construction in Progress	239,555	705,865	-	(127,696)	817,724
Total Capital Assets Not Depreciated	814,668	705,865	-	(102,004)	1,418,529
Capital Assets Depreciated:					
Building Official	40,907	-	-	-	40,907
City Hall	1,678,194	94,374	(18,718)	19,668	1,773,518
Civil Defense	1,090	-	(1,090)	-	-
Community Center	1,298,551	7,200	(10,504)	-	1,295,247
DDD	1,428	6,750	-	-	8,178
Executive (Mayor)	16,671	-	-	-	16,671
Fire	937,947	185,261	(11,689)	-	1,111,519
Hickory Park	837,183	15,179	-	-	852,362
Industrial Park	427,449	-	-	-	427,449
Judicial	39,772	-	(1,200)	-	38,572
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	89,407	-	-	-	89,407
Museum	40,005	131,810	-	-	171,815
Parks	805,773	148,101	(139,979)	-	813,895
Police	3,182,214	438,016	(156,758)	-	3,463,472
Public Works	103,376	-	-	-	103,376
Resource Center	-	179,656	-	-	179,656
Building - Sanitation	75,968	-	-	-	75,968
Streets and Roadways	3,645,350	66,770	(29,836)	82,336	3,764,620
Transportation	4,456	-	-	-	4,456
Youth Alliance	2,288	-	-	-	2,288
Infrastructure	10,745,071	-	-	-	10,745,071
Total Capital Assets Depreciated	23,974,375	1,273,117	(369,774)	102,004	24,979,722

(Continued on Next Page)

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

	Balance 06/30/22 (Restated)	Increases	Decreases	Transfers	Balance 06/30/23
(Continued from Previous Page)					
Less Accumulated Depreciation:					
Building Official	36,619	2,150	-	-	38,769
City Hall	1,060,787	117,441	(18,978)	-	1,159,250
Civil Defense	1,090	-	(1,090)	-	-
Community Center	1,152,490	13,520	(9,453)	-	1,156,557
DDD	905	587	-	-	1,492
Executive (Mayor)	14,882	1,228	-	-	16,110
Fire	593,177	54,022	(11,029)	-	636,170
Hickory Park	199,981	56,578	-	-	256,559
Industrial Park	308,373	10,686	-	-	319,059
Judicial	34,377	2,238	(1,200)	-	35,415
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	67,097	2,719	-	-	69,816
Museum	2,803	3,921	-	-	6,724
Parks	545,336	38,023	(134,815)	-	448,544
Police	1,408,255	212,311	(155,998)	-	1,464,568
Public Works	67,697	2,383	-	-	70,080
Resource Center	-	930	-	-	930
Building - Sanitation	40,358	1,899	-	-	42,257
Streets and Roadways	1,657,807	224,307	(25,516)	-	1,856,598
Transportation	501	223	-	-	724
Youth Alliance	2,246	41	-	-	2,287
Infrastructure	7,911,901	246,365	-	-	8,158,266
Total Accumulated Depreciation	<u>15,107,957</u>	<u>991,572</u>	<u>(358,079)</u>	<u>-</u>	<u>15,741,450</u>
Net Capital Assets Depreciated	<u>8,866,418</u>	<u>281,545</u>	<u>(11,695)</u>	<u>102,004</u>	<u>9,238,272</u>
Net Governmental Capital Assets	<u>\$ 9,681,086</u>	<u>\$ 987,410</u>	<u>\$ (11,695)</u>	<u>\$ -</u>	<u>\$ 10,656,801</u>

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives as follows:

Water and Sewer Plant	50	Years
Buildings	40	Years
Equipment	3 - 20	Years
Infrastructure	25	Years

Depreciation was charged to governmental functions as follows:

General Government	\$ 123,057
Public Safety	266,333
Public Works	475,884
Culture and Recreation	51,543
Community Development	10,686
Public Transportation	57,388
Miscellaneous Programs	6,681
Total	<u>\$ 991,572</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

The following is a summary of capital assets for business-type activities for the year ended June 30, 2023:

	Balance 06/30/22	Increases	Decreases	Transfers	Balance 06/30/23
Capital Assets Not Depreciated:					
Land	\$ 224,763	-	\$ -	\$ -	\$ 224,763
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Depreciated	224,763	-	-	-	224,763
Other Capital Assets:					
Sewer Utility	10,515,080	136,126	(25,013)	-	10,626,193
Wastewater Treatment	3,446,158	236,235	-	-	3,682,393
Water Utility	7,030,806	34,844	-	-	7,065,650
Total Other Capital Assets	20,992,044	407,205	(25,013)	-	21,374,236
Less: Accumulated Depreciation:					
Sewer Utility	4,902,523	393,642	(25,013)	-	5,271,152
Wastewater Treatment	1,781,834	90,315	-	-	1,872,149
Water Utility	2,728,459	187,494	-	-	2,915,953
Total Accumulated Depreciation	9,412,816	671,451	(25,013)	-	10,059,254
Total Other Capital Assets, Net	11,579,228	(264,246)	-	-	11,314,982
Total Business-Type Capital Assets, Net	\$ 11,803,991	\$ (264,246)	\$ -	\$ -	\$ 11,539,745

8. Employee Pension Plans

A. Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the City are eligible for participation in the Municipal Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 356 of the 1954 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.mersla.com/annual-reports. The report may also be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809, or by calling (225) 925-4810.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee's monthly average final compensation multiplied by the employee's years of creditable service. Employees with 30 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits with 10 years of creditable service, are not eligible for normal retirement, and have been officially certified as disabled by the State Medical Disability Board. Survivor's benefits are available upon the death of a member who has credit for five or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 5.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2023, was 15.50% of annual payroll. Contributions to the System from the City were \$246,847 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$1,498,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2023 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City's proportion was 1.706679%, which was a decrease of 0.091098% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$13,270. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 19,067
Changes of Assumptions	16,023	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	275,575	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	27,985	44,719
City Contributions Subsequent to the Measurement Date	246,847	-
	\$ 566,430	\$ 63,786

\$246,847 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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, 2023	\$ 70,365
June 30, 2024	31,465
June 30, 2025	29,709
June 30, 2026	123,600

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2022

Actuarial Cost Method - Entry age normal

Expected remaining service lives - 3 Years

Investment rate of return - 6.85%, net of pension plan investment expense, including inflation

Inflation - 2.50%

Salary increased, including inflation and merit increases:

- 1 to 4 years of service - 7.40%

- More than 4 years of service - 4.90%

Annuitant and beneficiary mortality:

PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.

Employee mortality:

PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.

Disabled lives mortality:

PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

The mortality rate assumption used was verified by combining data from the System with three other statewide plans, which have similar workforce compositions in order to produce a credible experience. The aggregated data was collected over the period July 1, 2013 to June 30, 2018. 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 by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return was 6.95% for the year ended June 30, 2022.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	53.00%	2.31%
Public Fixed Income	38.00%	1.65%
Alternatives	9.00%	0.39%
Totals	100.00%	4.35%
Inflation		2.60%
Expected Arithmetic Nominal Return		6.95%

Discount Rate – 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 that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PR SAC”) 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 of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.85%) or one percentage-point higher (7.85%) than the current rate:

	1.0% Decrease (5.85%)	Current Discount Rate (6.85%)	1.0% Increase (7.85%)
City's Proportionate Share of the Net Pension Liability	\$ 2,042,653	\$ 1,498,436	\$ 1,038,158

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

Payables to the Pension Plan – As of June 30, 2023, the City owed \$-0- to the System for the City’s June 2023 payroll.

B. Firefighters’ Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the City are eligible for participation in the Firefighters’ Retirement System of Louisiana (the “Fire System”) – a cost-sharing, multiple-employer defined benefit pension plan

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

administered by a Board of Trustees and established by Act 434 of the 1979 Regular Session of the Louisiana Legislature. The Fire System issues a publicly available financial report that can be obtained at www.lafirefightersret.com/finance.html. The report may also be obtained by writing to the Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70809, or by calling (225) 925-4060.

Benefits Provided – The Fire System provides retirement, disability, and death benefits. Retirement benefits are determined as 3 1/3% of the employee's average final compensation based on the 36 consecutive months of highest pay multiplied by the employee's years of creditable service, not to exceed 100%. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 12 years of service are eligible to retire at age 55. Employees are eligible for disability benefits if totally disabled from injury received in the line of duty. Employees who are disabled or incapacitated, but not in the line of duty, are eligible for disability benefits with 5 years of service. Cost of living increases are not provided.

Contributions – Per Act 434 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2023, was 33.25% of annual payroll. Contributions to the Fire System from the City were \$245,540 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$1,540,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2023, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City's proportion was 0.218478%, which was an increase of 0.000453% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$58,310. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 9,208	\$ 72,613
Changes of Assumptions	127,030	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	348,975	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	171,119	81,148
City Contributions Subsequent to the Measurement Date	245,540	-
	\$ 901,872	\$ 153,761

\$245,540 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

ended June 30, 2024. 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, 2023	\$	161,886
June 30, 2024		115,815
June 30, 2025		63,335
June 30, 2026		183,629
June 30, 2027		(6,612)
June 30, 2028		(3,791)

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2022

Actuarial cost method - Entry age normal

Investment rate of return - 6.90% per annum (net of investment expenses, including inflation)

Expected remaining service lives - 7 years, closed period

Inflation - 2.50% per annum

Salary increases:

14.10% in the first two years of service and 5.20% with 3 or more years of service; includes inflation and merit increases

Cost-of-Living Adjustments (COLAs):

For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

For the June 30, 2022 valuation, assumptions for mortality rates were based on the following:

- For active members, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees.
- For annuitants and beneficiaries, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Medica Healthy Retirees.
- For disabled retirees, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees.
- In all cases, the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP-2019 scale.

The June 30, 2021, estimated long-term expected rate of return on pension plan investments was determined by the System’s actuary using the System’s target asset allocation as of January 2021 and the G.S. Curran & Company Consultant Average study for 2021. The Consultant Average Study included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment management firms. Each consultant’s response included nominal expected long-term rates of return. In order to arrive at long-term expected arithmetic real rates of return, the actuary normalized the data received from the consultant’s responses in the following ways. Where nominal returns received were arithmetic, the actuary simply reduced the return assumption by the long-term inflation assumption. Where nominal returns were

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

geometric, the actuary converted the return to arithmetic by adjusting for the long-term standard deviation and then reduced the assumption by the long-term inflation assumption. Using the target asset allocation for the System and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined. Subsequent to the actuary's calculation of the long term expected real rate of return in January 2021, the Board voted to amend the target asset allocation. These changes include an increase to target weight in public equity, a decrease in the target weight in fixed income, and the inclusion of a target weight in private real assets. The changes to the target asset allocation are reflected in the table below. The System's long-term assumed rate of inflation of 2.50% was used in this process for the fiscal year ended June 30, 2021. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	26.00%	1.22%
Equity	56.00%	6.02%
Alternatives	18.00%	6.83%
Other	0.00%	3.14%
Totals	100.00%	4.92%
Inflation		2.50%
Expected Arithmetic Nominal Return		6.90%

Discount Rate – 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 employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fire System's actuary. Based on those assumptions, the Fire 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 of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.9%) or one percentage-point higher (7.9%) than the current rate:

	1.0% Decrease (5.9%)	Current Discount Rate (6.9%)	1.0% Increase (7.9%)
City's Proportionate Share of the Net Pension Liability	\$ 2,279,076	\$ 1,540,552	\$ 924,571

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire System financial report.

Payables to the Pension Plan – As of June 30, 2023, the City owed \$-0- to the Fire System for the City’s June 2023 payroll.

C. Municipal Police Employees’ Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Police officers of the City participate in the Municipal Police Employees’ Retirement System of Louisiana (the “Police System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 189 of the 1973 Regular Session of the Louisiana Legislature. The Police System issues a publicly available financial report that can be obtained at www.lampers.org/auditreports.htm. The report may also be obtained by writing to the Municipal Police Employees’ Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, LA 70809-7601, or by calling (225) 99-7411.

Benefits Provided – The Police System provides retirement, disability, and death benefits.

For employees that became members of the Police System prior to January 1, 2013, retirement benefits are determined as 3 1/3% of the employee’s average final compensation based on the 36 consecutive months of highest pay multiplied by the employee’s years of creditable service, not to exceed 100% of final salary. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 20 years of service are eligible to retire at age 50. Employees with a minimum of 12 years of service are eligible to retire at age 55.

For employees that became members of the Police System after to January 1, 2013, retirement benefits are divided into two sub-plans – Hazardous Duty and Non Hazardous Duty. Under the Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the Police 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 Police 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 Police System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under both plans, retirement benefits are determined as 3% (for Hazardous Duty members) and 2 ½% (Non Hazardous Duty members) of the employee’s average final compensation based on the highest 60 consecutive months of pay multiplied by the employee’s years of creditable service, not to exceed 100% of final salary.

Cost of living increases cannot exceed 3% of the retiree’s current benefit. The Police System is authorized to provide an additional 2% cost of living increase, computed on the member’s original benefit, to all regular retirees, disability, survivors, and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System’s Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The City’s contractually required contribution rate for the year ended June 30, 2023, was 31.25% of annual payroll. Contributions to the Police System from the City were \$470,391 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$4,489,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s June 30, 2023, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City’s proportion was 0.439241%, which was an increase of 0.073571% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$412,306. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 22,144	\$ 36,594
Changes of Assumptions	154,874	33,395
Changes in Investments		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	801,575	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	496,903 470,391	5,781 -
City Contributions Subsequent to the Measurement Date	\$ 1,945,887	\$ 75,770

\$470,391 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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, 2023	\$ 417,835
June 30, 2024	377,241
June 30, 2025	189,972
June 30, 2026	420,459

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2022
Actuarial cost method - Entry age normal cost
Investment rate of return - 6.75%, net of investment expense
Expected remaining service lives - 4 years 4 years
Inflation - 2.50%

Salary increases, including inflation & merit	<u>Service Years</u>	<u>Growth Rate</u>
	1-2	12.30%
	Above 2	4.70%

Mortality

For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale.

For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale.

For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale.

Cost-of-Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The mortality rate assumption used was set based upon an experience study for the period of July 1, 2014 through June 30, 2019. A change was made full generational mortality that combines the use of a base mortality table with appropriate mortality improvement scales. In order to set the base mortality table, actual plan mortality experience was assigned a credibility weighting and combined with a standard table to produce current levels of mortality.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

The best estimated of the arithmetic rates of return for each major asset class included in the System’s target allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	55.50%	3.60%
Fixed Income	30.50%	0.85%
Alternatives	14.00%	0.95%
Total	100.00%	5.40%
Inflation		2.66%
Expected Arithmetic Nominal Return		8.06%

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PR SAC”) taking into consideration the recommendation of the Police System’s actuary. Based on those assumptions, the Police 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 of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	1.0% Decrease (5.75%)	Current Discount Rate (6.75%)	1.0% Increase (7.75%)
City's Proportionate Share of the Net Pension Liability	\$ 6,284,892	4,489,823	\$ 2,990,346

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Police System financial report.

Payables to the Pension Plan – As of June 30, 2023, the City owed \$-0- to the Police System for the City’s June 2023 payroll.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

9. Compensated Absences

At June 30, 2023, employees of the City have accumulated and vested \$120,245 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$111,237 is recorded as an obligation of the General Fund and \$9,008 is recorded in the Enterprise Funds. These amounts were included in accrued liabilities on the accompanying financial statements.

10. Right-of-Use Assets and Capital Leases

Right-of-use leased assets and accumulated amortization activity as of and for the year ended June 30, 2023 are as follows:

	Balance 06/30/22 <u>(Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance 06/30/23
Right of Use Assets				
Equipment	\$ 459,024	\$ -	\$ -	\$ 459,024
Vehicles	<u>290,295</u>	<u>151,823</u>	<u>-</u>	<u>442,118</u>
Total Right of Use Assets	749,319	151,823	-	901,142
Less Accumulated Amortization:				
Equipment	175,959	91,805	-	267,764
Vehicles	<u>78,983</u>	<u>88,906</u>	<u>-</u>	<u>167,889</u>
Total Accumulated Depreciation	<u>254,942</u>	<u>180,711</u>	<u>-</u>	<u>435,653</u>
Net Right of Use Assets	<u>\$ 494,377</u>	<u>\$ (28,888)</u>	<u>\$ -</u>	<u>\$ 465,489</u>

The right-of-use assets are amortized on a straight-line basis over the economic useful life of the asset or life of the related lease, whichever is shorter. Amortization expense was charged to governmental activity functions as follows:

Public Safety	\$ 148,334
Public Works	<u>32,377</u>
Total	<u>\$ 180,711</u>

The following is a summary of the long-term lease liabilities of the city for the year ended June 30, 2023:

	Balance 06/30/22 <u>(Restated)</u>	<u>Increase in Debt</u>	<u>Debt Retired</u>	Balance 06/30/23
Capital Lease - Vehicles	\$ 214,432	\$ 151,823	\$ 87,310	\$ 278,945
Capital Lease - Dispatch Console	<u>285,981</u>	<u>-</u>	<u>91,668</u>	<u>194,313</u>
Total	<u>\$ 500,413</u>	<u>\$ 151,823</u>	<u>\$ 178,978</u>	<u>\$ 473,258</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

On January 1, 2018, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of a 2018 Ram 1500 totaling \$19,151, with accumulated amortization of \$17,555. The lease obligation is effective for a period of 72 months through January 2024. Monthly payments of \$299 began in January 2018. Total payments during 2023 totaled \$3,438 of principal and \$150 of interest.

On January 1, 2018, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of a 2018 Ram 1500 totaling \$18,264, with accumulated amortization of \$16,742. The lease obligation is effective for a period of 72 months through December 2023. Monthly payments of \$285 began in January 2018. Total payments during 2023 totaled \$3,279 of principal and \$141 of interest.

On February 1, 2018, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of a 2018 Ram 1500 totaling \$19,165, with accumulated amortization of \$17,302. The lease obligation is effective for a period of 72 months through February 2024. Monthly payments of \$299 began in February 2018. Total payments during 2023 totaled \$3,429 of principal and \$159 of interest.

On October 1, 2019, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of a 2019 Ram 2500 totaling \$29,795, with accumulated amortization of \$22,346. The lease obligation is effective for a period of 60 months through September 2024. Monthly payments of \$547 began in October 2019. Total payments during 2023 totaled \$6,110 of principal and \$454 of interest.

On August 15, 2020, the City entered into a capital lease agreement at a fixed interest rate of 3.94% with Motorola Solutions, Inc. for the lease of a Motorola MCC7500 Dispatch Console, totaling \$459,024, with accumulated amortization of \$267,764. The lease obligation is effective for a period of 60 months through August 2024. Annual payments of \$102,936 began in August 2020. Total payments during 2023 totaled \$91,668 of principal and \$11,268 of interest.

On August 1, 2021, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of a 2021 Ford F-250 Super Duty \$34,333, with accumulated amortization of \$13,161. The lease obligation is effective for a period of 60 months through August 2026. Monthly payments of \$630 began in August 2021. Total payments during 2023 totaled \$6,544 of principal and \$1,016 of interest.

On March 16, 2022, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of six (6) 2022 Chevrolet Tahoes totaling \$169,587, with accumulated amortization of \$70,661. The lease obligation is effective for a period of 36 months through March 2025. Monthly payments of \$5,007 began in April 2022. Total payments during 2023 totaled \$54,832 of principal and \$5,252 of interest.

On March 2, 2023, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of three (3) 2022 Ford F-150s totaling \$151,823, with accumulated amortization of \$10,122. The lease obligation is effective for a period of 60 months through March 2028. Monthly payments of \$2,787 began in March 2023. Total payments during 2023 totaled \$9,680 of principal and \$1,468 of interest.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

The annual requirements to amortize all debt outstanding for the primary government at June 30, 2023, including interest payments of \$30,930 are as follows:

<u>Year Ended</u>	<u>Motorola MCC7500</u>		
	<u>Console</u>	<u>Vehicles</u>	<u>Total</u>
June 30, 2024	\$ 102,936	\$ 113,242	\$ 216,178
June 30, 2025	102,936	87,706	190,642
June 30, 2026	-	41,003	41,003
June 30, 2027	-	34,071	34,071
June 30, 2028	-	22,294	22,294
	<u>205,872</u>	<u>298,316</u>	<u>504,188</u>
Less: Interest Portion	<u>11,559</u>	<u>19,371</u>	<u>30,930</u>
Total	<u>\$ 194,313</u>	<u>\$ 278,945</u>	<u>\$ 473,258</u>

11. Interfund Receivables / Payables

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2023, were as follows:

<u>Fund</u>	<u>Account</u>	<u>Due From</u>	<u>Due To</u>
General Fund	Due to Equipment Millage Fund	\$ -	\$ 17,201
General Fund	Due to Sewer Fund	-	263,449
General Fund	Due to Water Fund	-	52,804
Equipment Millage Fund	Due from General Fund	17,201	-
Sewer Enterprise Fund	Due from General Fund	263,449	-
Water Enterprise Fund	Due from General Fund	52,804	-
Total All Funds		<u>\$ 333,454</u>	<u>\$ 333,454</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

12. Interfund Transfers

Operating transfers between funds consist primarily of sales tax and property tax revenues transferred out of the special revenue funds to the particular funds for which the sales tax and property tax revenues are to be used. Funds were also transferred out of the General Fund to the Water Fund to assist with annual operations. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2023:

Fund	Account	Transfers In	Transfers Out
General Fund	Transfer from 1965 Sales Tax Fund	\$ 3,347,500	\$ -
General Fund	Transfer from Fire Millage Fund	156,828	-
General Fund	Transfer from Police Millage Fund	491,918	-
General Fund	Transfer to Water Enterprise Fund	-	150,000
1965 Sales Tax Fund	Transfer to General Fund	-	3,347,500
Fireman Millage Fund	Transfer to General Fund	-	156,828
Policeman Millage Fund	Transfer to General Fund	-	491,918
Water Enterprise Fund	Transfer from General Fund	150,000	-
Total All Funds		<u>\$ 4,146,246</u>	<u>\$ 4,146,246</u>

13. Reserved, Restricted, and Nonspendable Fund Balances / Net Position

The balances of the reserved, restricted, and nonspendable fund balance / net position accounts of the City as of June 30, 2023, were as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 61,051
Restricted for Mausoleum	31,017
Restricted for Dedicated Sales Tax Usage	4,255,419
Restricted for Firemen Pay	6,705
Restricted for Policemen Pay	3,355
Restricted for Safety Equipment	423,139
Total	<u>\$ 4,780,686</u>

14. Ad Valorem Taxes

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the Tangipahoa Parish Assessor on all property subject to taxation by the City except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the Tangipahoa Parish Assessor is subject to review and certification by the Louisiana Tax Commission. The Tangipahoa Parish Assessor is required to reappraise all property subject to taxation at intervals of not more than four years. The Tangipahoa Parish Sheriff bills and collects property taxes for the City using the assessed values determined by the Tangipahoa Parish Assessor.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Property tax rates were adopted by the City Council on September 12, 2022 and taxes were due on December 31, 2022. Taxes were considered delinquent on January 1, 2023.

For the year ended June 30, 2023, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$68,090,980 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund	6.52	6.52	\$ 443,953	-
Policemen Pay Millage Fund	6.00	6.00	408,546	2029
Firemen Pay Millage Fund	2.00	2.00	136,182	2029
Equipment Millage Fund	2.00	2.00	136,182	2029
Totals	<u>16.52</u>	<u>16.52</u>	<u>\$ 1,124,863</u>	

Levied taxes differ from the taxes collected because of the collection of interest and prior year taxes, as well as the existence of current year levied taxes that were not collected as of the end of the fiscal year.

15. On-Behalf Payments for Salaries and Benefits

During 1998, the City implemented GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, which requires the City to report in the financial statements on-behalf salary and fringe benefit payments made by the state to certain City employees.

Supplemental salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year ended June 30, 2023, the state paid supplemental salaries to the fire and police employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions for these on-behalf payments.

On-behalf payments recorded as revenues and expenditures in the financial statements are as follows:

Firemen Supplemental Pay	\$ 61,430
Policemen Supplemental Pay	<u>181,383</u>
Total On-Behalf Payments	<u>\$ 242,813</u>

16. Risk Management and Uncertainties

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, the City carried insurance through various commercial carriers to cover all risks of loss. The City had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

17. Prior Period Adjustment

During the current year, a prior period adjustment of (\$2,357) was made to Governmental Activities to record additional leases not recorded under GASB Statement No. 87 during the prior audit year. An additional prior period adjustment of \$26,199 was also made to Governmental Activities to adjust prior year GASB Statement No. 68 related pension expenses to actual. These two prior period adjustments totaled \$23,842. Beginning Net Position for Government Activities was changed from \$15,053,936 to \$15,077,778 as a result of these prior period adjustments.

18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 7, 2023, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Required Supplementary Information (Part II)

City of Ponchatoula, Louisiana
 Schedule of Revenues, Expenditures, and Changes in Fund Balance –
 Budget and Actual – General Fund
 For the Year Ended June 30, 2023

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Taxes:				
Sales Taxes	\$ 3,700,000	\$ 3,632,500	\$ 3,645,870	\$ 13,370
Property Taxes	421,900	449,100	448,611	(489)
Franchise Taxes	334,300	380,300	356,967	(23,333)
Grant Revenues	2,180,900	1,966,800	2,120,681	153,881
Licenses and Permits	655,000	698,300	734,466	36,166
Sanitation Service Fees	495,000	566,100	644,022	77,922
Fines and Forfeitures	221,900	108,600	107,724	(876)
Other Revenues	316,200	929,400	909,505	(19,895)
Interest Income	7,900	254,100	284,312	30,212
Total Revenues	8,333,100	8,985,200	9,252,158	266,958
Expenditures:				
Current:				
General Government	1,995,730	2,043,650	2,044,152	(502)
Public Safety	5,851,900	5,873,800	5,768,679	105,121
Public Works	5,101,700	3,009,700	3,103,950	(94,250)
Cemetery	42,200	40,100	39,538	562
Culture and Recreation	842,100	649,450	554,025	95,425
Community Development	114,950	85,867	83,519	2,348
Public Transportation	36,000	30,000	31,499	(1,499)
Miscellaneous Programs	276,000	214,300	229,972	(15,672)
Debt Service	-	-	199,163	(199,163)
Total Expenditures	14,260,580	11,946,867	12,054,497	(107,630)
Excess (Deficiency) of Revenues over Expenditures	(5,927,480)	(2,961,667)	(2,802,339)	159,328
Other Financing Sources (Uses):				
Transfers In	3,604,800	3,862,300	3,996,246	133,946
Transfers Out	(600,000)	(150,000)	(150,000)	-
Proceeds from Capital Leases	-	-	151,823	151,823
Sale of Capital Assets	139,400	139,000	137,470	(1,530)
Total Other Financing Sources (Uses)	3,144,200	3,851,300	4,135,539	284,239
Change in Fund Balance	(2,783,280)	889,633	1,333,200	443,567
Fund Balance:				
Beginning of the Year	4,095,341	4,984,167	4,984,167	-
End of the Year	\$ 1,312,061	\$ 5,873,800	\$ 6,317,367	\$ 443,567

See independent auditor's report.

City of Ponchatoula, Louisiana

Schedule 2

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – 1965 Sales Tax Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Sales Tax	\$ 3,700,000	\$ 3,700,000	\$ 3,645,870	\$ (54,130)
Investment Interest	<u>5,000</u>	<u>125,100</u>	<u>133,807</u>	<u>8,707</u>
Total Revenues	3,705,000	3,825,100	3,779,677	(45,423)
Expenditures:				
General Government:				
Collection Fees	<u>25,000</u>	<u>25,000</u>	<u>23,698</u>	<u>(1,302)</u>
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>23,698</u>	<u>1,302</u>
Excess of Revenues over Expenditures	3,680,000	3,800,100	3,755,979	(44,121)
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(3,090,000)</u>	<u>(3,347,500)</u>	<u>(3,347,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,090,000)</u>	<u>(3,347,500)</u>	<u>(3,347,500)</u>	<u>-</u>
Change in Fund Balance	590,000	452,600	408,479	(44,121)
Fund Balance:				
Beginning of the Year	<u>3,150,661</u>	<u>3,846,940</u>	<u>3,846,940</u>	<u>-</u>
End of the Year	<u>\$ 3,740,661</u>	<u>\$ 4,299,540</u>	<u>\$ 4,255,419</u>	<u>\$ (44,121)</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City's Proportionate Share of the Net Pension Liability
 For the Year Ended June 30, 2023

Schedule 3

Fiscal Year*	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>MERS (Municipal Employees Retirement System of Louisiana):</u>					
2023	1.706679%	\$ 1,498,436	\$ 1,421,524	105.41%	69.56%
2022	1.797777%	\$ 1,041,468	\$ 1,372,107	75.90%	79.14%
2021	1.694661%	\$ 1,535,745	\$ 1,304,726	117.71%	66.26%
2020	1.625329%	\$ 1,421,859	\$ 1,244,063	114.29%	66.14%
2019	1.536406%	\$ 1,299,541	\$ 1,142,050	113.79%	63.94%
2018	1.297115%	\$ 1,122,306	\$ 967,655	115.98%	63.49%
2017	1.268504%	\$ 1,051,474	\$ 932,168	112.80%	63.34%
2016	1.280015%	\$ 869,958	\$ 887,215	98.05%	68.71%
2015	1.291998%	\$ 606,588	\$ 871,855	69.57%	76.94%
2014	1.300365%	\$ 714,496	\$ 851,264	83.93%	71.92%
<u>FRS (Firefighters' Retirement System of Louisiana):</u>					
2023	0.218478%	\$ 1,540,552	\$ 664,618	231.80%	74.68%
2022	0.218025%	\$ 772,648	\$ 565,727	136.58%	86.78%
2021	0.234391%	\$ 1,624,693	\$ 589,041	275.82%	72.61%
2020	0.227903%	\$ 1,427,108	\$ 550,812	259.09%	73.96%
2019	0.190894%	\$ 1,098,037	\$ 454,488	241.60%	74.76%
2018	0.164076%	\$ 940,459	\$ 383,093	245.49%	73.54%
2017	0.135357%	\$ 885,357	\$ 305,199	290.09%	68.16%
2016	0.121260%	\$ 654,454	\$ 257,701	253.96%	72.45%
2015	0.127494%	\$ 567,337	\$ 258,987	219.06%	76.02%
2014	0.130333%	\$ 676,062	\$ 258,951	261.08%	70.73%
<u>MPERS (Municipal Police Employee's Retirement System of Louisiana):</u>					
2023	0.439241%	\$ 4,489,823	\$ 1,354,727	331.42%	70.80%
2022	0.365670%	\$ 1,949,221	\$ 1,360,534	143.27%	84.09%
2021	0.356601%	\$ 3,295,824	\$ 1,105,498	298.13%	70.95%
2020	0.336225%	\$ 3,052,486	\$ 1,079,414	282.79%	71.01%
2019	0.380091%	\$ 3,213,313	\$ 1,123,062	286.12%	71.89%
2018	0.361881%	\$ 3,159,374	\$ 1,080,330	292.45%	70.08%
2017	0.370674%	\$ 3,474,260	\$ 1,039,600	334.19%	66.04%
2016	0.353333%	\$ 2,767,995	\$ 945,142	292.87%	70.73%
2015	0.337356%	\$ 2,110,527	\$ 868,489	243.01%	75.10%
2014	0.313688%	\$ 2,505,875	\$ 866,091	289.33%	66.71%

* The measurement date of the proportionate share of the net pension liability is one year in arrears. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City Contributions to Defined Benefit Pension Plans
 For the Year Ended June 30, 2023

Schedule 4

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency / (Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
<u>MERS (Municipal Employees Retirement System of Louisiana):</u>					
2023	\$ 246,847	\$ (246,847)	\$ -	\$ 1,421,524	17.36%
2022	\$ 212,677	\$ (212,677)	\$ -	\$ 1,372,107	15.50%
2021	\$ 185,974	\$ (185,974)	\$ -	\$ 1,386,633	13.41%
2020	\$ 182,663	\$ (182,663)	\$ -	\$ 1,304,726	14.00%
2019	\$ 173,812	\$ (173,812)	\$ -	\$ 1,244,063	13.97%
2018	\$ 149,191	\$ (149,191)	\$ -	\$ 1,142,050	13.06%
2017	\$ 106,442	\$ (106,442)	\$ -	\$ 967,655	11.00%
2016	\$ 88,558	\$ (88,558)	\$ -	\$ 932,168	9.50%
2015	\$ 84,371	\$ (84,371)	\$ -	\$ 887,215	9.51%
2014	\$ 76,286	\$ (76,286)	\$ -	\$ 871,855	8.75%
<u>FRS (Firefighters' Retirement System of Louisiana):</u>					
2023	\$ 245,540	\$ (245,540)	\$ -	\$ 664,618	36.94%
2022	\$ 189,980	\$ (189,980)	\$ -	\$ 565,727	33.58%
2021	\$ 162,364	\$ (162,364)	\$ -	\$ 547,647	29.65%
2020	\$ 163,459	\$ (163,459)	\$ -	\$ 589,041	27.75%
2019	\$ 145,965	\$ (145,965)	\$ -	\$ 550,812	26.50%
2018	\$ 120,263	\$ (120,263)	\$ -	\$ 454,488	26.46%
2017	\$ 96,731	\$ (96,731)	\$ -	\$ 383,093	25.25%
2016	\$ 83,167	\$ (83,167)	\$ -	\$ 305,199	27.25%
2015	\$ 75,377	\$ (75,377)	\$ -	\$ 257,701	29.25%
2014	\$ 73,164	\$ (73,164)	\$ -	\$ 258,987	28.25%
<u>MPERS (Municipal Police Employee's Retirement System of Louisiana):</u>					
2023	\$ 470,391	\$ (470,391)	\$ -	\$ 1,354,727	34.72%
2022	\$ 404,696	\$ (404,696)	\$ -	\$ 1,360,534	29.75%
2021	\$ 358,796	\$ (358,796)	\$ -	\$ 1,127,555	31.82%
2020	\$ 358,779	\$ (358,779)	\$ -	\$ 1,105,498	32.45%
2019	\$ 346,753	\$ (346,753)	\$ -	\$ 1,079,414	32.12%
2018	\$ 346,046	\$ (346,046)	\$ -	\$ 1,123,062	30.81%
2017	\$ 343,005	\$ (343,005)	\$ -	\$ 1,080,330	31.75%
2016	\$ 306,682	\$ (306,682)	\$ -	\$ 1,039,600	29.50%
2015	\$ 297,719	\$ (297,719)	\$ -	\$ 945,142	31.50%
2014	\$ 269,748	\$ (269,748)	\$ -	\$ 868,489	31.06%

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

See independent auditor's report.

Other Supplementary Information

City of Ponchatoula, Louisiana
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2023

Schedule 5

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Assets						
Cash	\$ 74	\$ 6,705	\$ 3,355	\$ 405,938	\$ 16,733	\$ 432,805
Investments	30,943	-	-	-	44,318	75,261
Due from Other Funds	-	-	-	17,201	-	17,201
Total Assets	<u>\$ 31,017</u>	<u>\$ 6,705</u>	<u>\$ 3,355</u>	<u>\$ 423,139</u>	<u>\$ 61,051</u>	<u>\$ 525,267</u>
Liabilities & Fund Balance						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund Balances:						
Nonspendable	-	-	-	-	61,051	61,051
Restricted	31,017	6,705	3,355	423,139	-	464,216
Total Fund Balances	<u>31,017</u>	<u>6,705</u>	<u>3,355</u>	<u>423,139</u>	<u>61,051</u>	<u>525,267</u>
Total Liabilities & Fund Balances	<u>\$ 31,017</u>	<u>\$ 6,705</u>	<u>\$ 3,355</u>	<u>\$ 423,139</u>	<u>\$ 61,051</u>	<u>\$ 525,267</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Non-Major Governmental Funds
 For the Year Ended June 30, 2023

Schedule 6

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Revenues:						
Ad Valorem Taxes	\$ -	\$ 136,327	\$ 408,980	\$ 136,327	\$ -	\$ 681,634
Intergovernmental Revenues	-	-	-	3,500	-	3,500
Investment Interest	1,163	691	2,081	15,375	2,361	21,671
Total Revenues	1,163	137,018	411,061	155,202	2,361	706,805
Expenditures:						
Public Safety	-	-	-	65,666	-	65,666
Total Expenditures	-	-	-	65,666	-	65,666
Excess (Deficiency) of Revenues over Expenditures	1,163	137,018	411,061	89,536	2,361	641,139
Other Financing Sources (Uses):						
Transfers Out	-	(156,828)	(491,918)	-	-	(648,746)
Total Other Sources (Uses)	-	(156,828)	(491,918)	-	-	(648,746)
Change in Fund Balances	1,163	(19,810)	(80,857)	89,536	2,361	(7,607)
Fund Balances:						
Beginning of the Year	29,854	26,515	84,212	333,603	58,690	532,874
End of the Year	\$ 31,017	\$ 6,705	\$ 3,355	\$ 423,139	\$ 61,051	\$ 525,267

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation of Paid Elected Officials
 For the Year Ended June 30, 2023

Schedule 7

<u>Name & Title</u>	<u>Address</u>	<u>Term of Office</u>	<u>Amount</u>
Robert F. Zabbia Mayor	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	\$ 124,142 *
Bry Layrisson Chief of Police	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	141,041 *
Melissa Gueldner City Council, District A	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - May 9, 2023	8,400
Byron C. Ragan City Council, District A	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	June 8, 2023 - June 30, 2024	856
Roslind Batiste City Council, District B	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,712
Larry "Jeff" Daniels City Council, District C	125 W. Hickory Street Ponchatoula, LA 70454 (985) 386-6484	July 1, 2020 - June 30, 2024	9,712
Melvin Toomer City Council, District D	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,712
Vergil Sandifer City Council, District E	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,712
Total			<u>\$ 313,287</u>

* Including benefits, vehicle allowance, and cell phone allowance

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to Agency Head
 For the Year Ended June 30, 2023

Schedule 8

Agency Head: Honorable Robert F. Zabbia, Mayor

Purpose	Amount
Salary	\$ 84,476
Benefits - Insurance	659
Benefits - Retirement	13,094
Deferred Compensation	-
Benefits - Other	13,153
Benefits - Other - Supplemental Pay	-
Car Allowance	10,800
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,200
Longevity	760
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
Total	\$ 124,142

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to the Chief of Police
 For the Year Ended June 30, 2023

Schedule 9

Agency Head: Honorable Bry Layrisson, Chief of Police

Purpose	Amount
Salary	\$ 77,290
Benefits - Insurance	17,220
Benefits - Retirement	26,038
Deferred Compensation	-
Benefits - Other	7,792
Benefits - Other - Supplemental Pay	-
Car Allowance	10,800
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,200
Longevity	700
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
Total	\$ 141,041

See independent auditor's report.

City of Ponchatoula, Louisiana
Justice System Funding Schedule – Collecting / Disbursing Entity
For the Year Ended June 30, 2023

Schedule 10

	First Six- Month Period Ended <u>12/31/22</u>	Second Six- Month Period Ended <u>06/30/23</u>
Beginning Balance of Amounts Collected	\$ -	\$ -
Add: Collections		
Criminal Court Costs / Fees	11,772	10,283
Criminal Fines - Other	<u>49,578</u>	<u>46,293</u>
Subtotal Collections	61,350	56,576
Less: Disbursements to Governments & Nonprofits		
21st Judicial District Indigent Defender - Criminal Court Costs / Fees	7,143	6,080
Crimestoppers - Criminal Court Costs / Fees	438	368
Florida Parishes Juvenile Justice Commission - Criminal Court Costs / Fees	1,090	925
Louisiana Commission on Law Enforcement - Crime Victim's Reparation - Criminal Court Costs / Fees	187	208
Louisiana Commission on Law Enforcement - Post Law Enforcement - Criminal Court Costs / Fees	436	372
Louisiana Department of Health - Traumatic Head and Spinal Cord - Criminal Court Costs / Fees	155	69
Louisiana Supreme Court - Louisiana Judicial College - Criminal Court Costs / Fees	110	91
Tangipahoa Parish - Coroner's Operation Fund - Criminal Court Costs / Fees	240	270
Treasurer, State of Louisiana - CMIS - Criminal Court Costs / Fees	654	555
Less: Amounts Retained by Collecting Agency		
City of Ponchatoula - Criminal Fines - Other	49,578	46,293
Less: Disbursements to Individuals / 3rd Party Collection or Processing Agencies		
Appearance Bonds	948	950
Restitution Payments to Individuals	<u>371</u>	<u>395</u>
Subtotal Disbursements / Retainage	<u>61,350</u>	<u>56,576</u>
Ending Balance of Amounts Collected but not Disbursed / Retained	<u>\$ -</u>	<u>\$ -</u>
Other Information:		
Ending Balance of Amounts Assessed but Not Collected	\$ -	\$ -
Total Waivers During the Fiscal Period	\$ -	\$ -

See independent auditor's report.

**Other Independent Auditor's Reports and
Findings and Recommendations**



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*

To the Honorable Robert F. Zabbia, Mayor
and the Members of the City Council
City of Ponchatoula, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-02 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

City of Ponchatoula, Louisiana

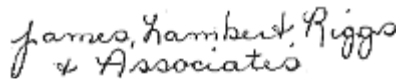
not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Ponchatoula, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and describe in the accompany schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



James Lambert Riggs and Associates, Inc.

Hammond, Louisiana
December 7, 2023

City of Ponchatoula, Louisiana
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements, and have issued our report thereon dated December 7, 2023. Our audit of the basic financial statements resulted in an unmodified opinion

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness	<u> X </u>	Yes	<u> </u>	No
Significant Deficiencies	<u> </u>	Yes	<u> X </u>	No

Compliance:

Compliance Material to the Financial Statements	<u> </u>	Yes	<u> X </u>	No
---	---------------	-----	--------------	----

Was a management letter issued?	<u> </u>	Yes	<u> X </u>	No
---------------------------------	---------------	-----	--------------	----

Section II Financial Statement Findings

Internal Control over Financial Reporting

2023-001 – Financial Statement Preparation and Bank Account Reconciliation Procedures

Condition:

In the prior fiscal year, the City underwent an accounting software conversion, which affected general ledger accounting, utility billing, capital assets, occupational licenses, building permits, and other financial processes. During our audit and testing of internal controls over financial statement preparation and bank account reconciliation procedures, we noted the following material weaknesses because of this software conversion:

- Monthly budget reports were not provided to City Council members before each council meeting for the period April 2023 through October 2023. In each instance, City Council members were informed that the monthly financial statements would be available several days after each meeting.
- The City's Central Depository bank account was not timely reconciled throughout the audit period. Ongoing issues with the accounting software conversion caused significant delays in fully reconciling the account. Additionally, the Finance Director needed to make several calls to technical services for the accounting software, further delaying the reconciling of the Central Depository bank account.

This condition was also noted in the prior audit year.

Criteria:

Strong internal controls over financial statement preparation and bank account reconciliations are required in order for management and employees to prevent or detect and correct errors or other irregularities in a timely manner.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Cause:

This condition was caused by difficulties continuing to be encountered by accounting personnel following the City's accounting software conversion in early March 2022.

Potential Effect of Condition:

The failure of the City to timely reconcile its primary bank account and provide monthly budget reports to the City Council and department heads could result in significant errors or irregularities occurring that would not be detected by employees or management on a timely basis in the normal course of performing their assigned duties. Furthermore, the failure to provide the City Council with current, accurate monthly budget reports could be a violation of the Local Government Budget Act.

Recommendation:

We recommend the City retain the services of a qualified CPA firm, to assist the Finance Manager with accounting functions to get the accounting records and monthly budget reports up-to-date as quickly as possible. We further recommend the City hire a part-time accounting assistant to work with the Finance Manager to keep the accounting records and monthly budget reports presented to the City Council current.

Management's Response:

See attached management's response.

2023-002 – Lack of Adequate Internal Controls over Payroll Processing

Condition:

During the audit and review of payroll processing, we noted the following weaknesses:

- For the pay periods selected for testing, individual timecards for the Public Works Department did not contain the employee or supervisor's signature to certify their hours worked. A department-wide summary schedule was signed by the supervisor, however.
- For the pay period selected for testing, the City Hall employee's time sheet did not contain a supervisory signature to certify hours worked by the employee.
- There is no evidence that the Payroll Clerk is reconciling the summarized department time and attendance reports to the grand total payroll register before processing payroll.
- There is also no documentary evidence of the Payroll Clerk's work being reviewed by an individual independent of the payroll processing function. As a result, the City was assessed for late filings and penalties on tax deposits for the 3rd Quarter 2022, 1st Quarter 2023, and 2nd Quarter 2023.

This condition was also noted in the prior audit year.

Criteria:

Strong internal controls over time and attendance recordkeeping and the processing of City payroll are essential to ensure that employees are paid only for time worked and at the rates approved by senior management. The Louisiana Legislative Auditor's Checklist of Best Practices in Government contains specific procedures for time and attendance recordkeeping and the processing of payroll for employees.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Cause:

The cause of this condition appears to be (1) improperly designed internal control procedures for time and attendance; (2) adopted procedures not being followed; (3) lack of oversight by senior management over the payroll processing functions.

Effect:

The lack of strong internal controls over time and attendance and payroll processing creates an environment in which:

- Employees could be paid for time not worked.
- Employees could be paid at rates other than those approved by senior management.
- Penalties and interest could be assessed against the City due to the late filing and payment payroll liabilities.

Recommendation:

We recommend the following specific actions to improve existing controls:

- All employees and their immediate supervisors should sign the employee's time and attendance sheet certifying their hours worked.
- The Payroll Clerk should reconcile all approved employee timesheets / timecards to the summary reports prepared by each department supervisor. Any differences should be resolved with the employee and their department supervisor prior to processing payroll checks.
- An individual independent of the payroll processing function should review and approve all work of the Payroll Clerk before each payroll submission.
- All payroll reports must be filed prior to their respective due dates to avoid the possible assessment of penalties and interest.

Management's Response:

See attached management's response.

Compliance and Other Matters

None

City of Ponchatoula, Louisiana
 Summary Schedule of Prior Year Findings and Responses
 For the Year Ended June 30, 2023

<u>Ref.#</u>	<u>Fiscal Year Findings Occurred</u>	<u>Description of Findings</u>	<u>Finding Resolved</u>	<u>Corrective Action Taken</u>
<u>Internal Control over Financial Reporting</u>				
2022-001	June 30, 2022	Update of City Written Policies and Procedures for Fiscal Controls	Resolved	New policies and procedures adopted by City Council
2022-002	June 30, 2022	Financial Statement Preparation and Bank Account Reconciliation Procedures	Not Resolved	
2022-003	June 30, 2022	Lack of Adequate Internal Controls over Payroll Processing	Not Resolved	
2022-004	June 30, 2022	Lack of Adequate Restricted Cash and Investments for Utility Customer Deposits	Resolved	Restricted cash and investment balances sufficient
2022-005	June 30, 2022	Utility Billings and Collections	Resolved	Proper rates charged to customers
<u>Compliance and Other Matters</u>				
2022-006	June 30, 2022	Compliance with the Local Government Budget Act	Resolved	Budget in accordance with state law
2022-007	June 30, 2022	Possible Violation of Louisiana Code of Governmental Ethics	Resolved	No current year violations
2022-008	June 30, 2022	Possible Violation of the Lawrason Act	Resolved	No current year violations
2022-009	June 30, 2022	Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year	Resolved	Audit completed timely



ROBERT F. "BOB" ZABBIA
Mayor

City of Ponchatoula, Louisiana
2022-2023 Audit
Management Response

Management Response to the audit findings:

The City has taken the auditors advice and has hired a financial assistant. Elise was hired in September 2023. She has been assisting with some of the software issues. Hopefully we will be able to share timely completed financials soon.

We are also making some procedural changes to payroll processing.

Cheryl R Hoover

12/11/2023

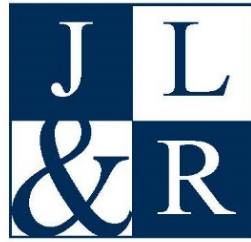
Cheryl R Hoover Finance Manager

Date



CITY OF PONCHATOULA, LOUISIANA
STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT
FOR THE YEAR ENDED JUNE 30, 2023

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA
J. Bryan Ehricht, CPA
Megan E. Lynch, CPA
B. Jacob Steib, CPA



**JAMES
LAMBERT RIGGS
& ASSOCIATES, INC.**
CERTIFIED PUBLIC ACCOUNTANTS
www.jlrcpafirm.com


Member of
American Institute of CPAs
Society of Louisiana CPAs

Independent Accountants' Report on Applying Agreed-Upon Procedures

To Honorable Mayor Robert Zabbia
and City Council Members
City of Ponchatoula
Ponchatoula, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The City of Ponchatoula's (the "City") management is responsible for those C/C areas identified in the SAUPs.

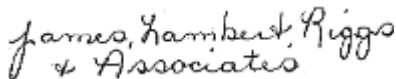
The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are detailed in Schedule "A."

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script that reads "James Lambert Riggs & Associates".

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

December 7, 2023

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iv. ***Receipts / Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - v. ***Payroll / Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - **Results:** The City's policy does not fully address reviewing and approving time and attendance records, including leave and overtime worked, and approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - **Results:** No exceptions were noted as a result of the above listed procedures.

viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

- **Results:** No exceptions were noted as a result of the above listed procedures.

ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

- **Results:** The City's policy does not address a system to monitor possible ethics violations and a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure / EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

- **Results:** The City's policy does not address continuing disclosure / EMMA reporting requirements, debt reserve requirements, and debt service requirements.

xi. **Information Technology Disaster Recovery / Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing / verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches / updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

- **Results:** The City's policy does not address periodic testing / verification that backups can be restored, use of antivirus software on all systems, and timely application of all available system and software patches / updates.

xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

- **Results:** The City's policy does not address annual employee training.

2) **Board or Finance Committee**

A. Obtain and inspect the board / finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and

i. Observe that the board / finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- **Results:** No exceptions were noted as a result of the above listed procedures.

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a

minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- **Results:** For the period July 1, 2022 through June 30, 2023, the minutes did not include or reference completed financial statements being available. Notice was given at each meeting that the financial statements were either in the process of being completed or that they would be available within a few days after the City Council meeting.
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- iv. Observe whether the board / finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.
- **Results:** No exceptions were noted as a result of the above listed procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
- **Results:** One of the five bank accounts selected for testing, the Central Depository account, was not reconciled within 2 months of the statement closing date.
- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- **Results:** No exceptions were noted as a result of the above listed procedures.

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

- **Results:** No exceptions were noted as a result of the above listed procedures.

4) Collections (excluding electronic funds transfers)

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash / checks / money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

i. Employees responsible for cash collections do not share cash drawers / registers;

- **Results:** No exceptions were noted as a result of the above listed procedures.

ii. Each employee responsible for collecting cash is not also responsible for preparing / making bank deposits, unless another employee / official is responsible for reconciling collection documentation (e.g., prenumbered receipts) to the deposit;

- **Results:** No exceptions were noted as a result of the above listed procedures.

iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee / official is responsible for reconciling ledger postings to each other and to the deposit; and

- **Results:** No exceptions were noted as a result of the above listed procedures.

iv. The employee(s) responsible for reconciling cash collections to the general ledger and / or subsidiary ledgers, by revenue source and / or agency fund additions, is (are) not also responsible for collecting cash, unless another employee / official verifies the reconciliation.

- **Results:** No exceptions were noted as a result of the above listed procedures.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

- **Results:** No exceptions were noted as a result of the above listed procedures.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash*

collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- v. Trace the actual deposit per the bank statement to the general ledger.
 - **Results:** No exceptions were noted as a result of the above listed procedures.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - **Results:** No exceptions were noted as a result of the above listed procedures.

iii. The employee responsible for processing payments is prohibited from adding / modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

- **Results:** No exceptions were noted as a result of the above listed procedures.

iv. Either the employee / official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

- **Results:** No exceptions were noted as a result of the above listed procedures.

v. Only employees / officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

- **Results:** No exceptions were noted as a result of the above listed procedures.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

- **Results:** No exceptions were noted as a result of the above listed procedures.

ii. Observe whether the disbursement documentation included evidence (e.g., initial / date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

- **Results:** No exceptions were noted as a result of the above listed procedures.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and / or account for testing that does include electronic disbursements.

- **Results:** No exceptions were noted as a result of the above listed procedures.

6) Credit Cards / Debit Cards / Fuel Cards / Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit / debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
- **Results:** No exceptions were noted as a result of the above listed procedures.
- ii. Observe that finance charges and late fees were not assessed on the selected statements.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business / public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
- **Results:** No exceptions were noted as a result of the above listed procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms / prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
- **Results:** For four selected employees, per diem rates paid did not match the State of Louisiana Travel Guide (per written City policy) nor GSA rates.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- iii. Observe that each reimbursement is supported by documentation of the business / public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - **Results:** No exceptions were noted as a result of the above listed procedures.

8) Contracts

- A. Obtain from management a listing of all agreements / contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - ii. Observe whether the contract was approved by the governing body / board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
 - **Results:** No exceptions were noted as a result of the above listed procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries / pay rates in the personnel files.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - **Results:** For three selected employees, the time card was not signed by the employee. For three employees, their respective supervisors did not sign their time cards, but did sign a department-wide summary sheet listing total employee hours for each pay period. For three selected employees, their respective supervisors did not approve their leave request forms.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary / pay rate found within the personnel file.
 - **Results:** No exceptions were noted as a result of the above listed procedures.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.
- **Results:** Per review of payroll documentation, penalties and interest were assessed and paid for incorrect tax deposits for the third quarter 2022, first quarter 2023, and second quarter 2023.

10) Ethics

- A. Using the 5 randomly selected employees / officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee / official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
- **Results:** For the five employees / officials selected for testing, one employee was hired in February 2023, but had not yet taken their 2023 training as of the date of this report. One employee took their training timely during 2022 but had not yet taken their 2023 training as of the date of this report.
- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- B. Inquire and / or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
- **Results:** No exceptions were noted as a result of the above listed procedures.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- **Results:** No exceptions were noted as a result of the above listed procedures.
- B. Obtain a listing of bonds / notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond / note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
- **Results:** No exceptions were noted as a result of the above listed procedures.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- **Results:** No exceptions were noted as a result of the above listed procedures.

B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

- **Results:** No exceptions were noted as a result of the above listed procedures.

13) Information Technology Disaster Recovery / Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

- **Results:** We performed the procedure and discussed the results with management.

ii. Obtain and inspect the entity’s most recent documentation that it has tested / verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing / verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

- **Results:** We performed the procedure and discussed the results with management.

iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

- **Results:** We performed the procedure and discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

- **Results:** No exceptions were noted as a result of the above listed procedures.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees / officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee / official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

- **Results:** For one of the five selected employees / officials, no documentation was found nothing the employee / official completed their sexual harassment training.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- **Results:** No exceptions were noted as a result of the above listed procedures.
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - ii. Number of sexual harassment complaints received by the agency;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - **Results:** No exceptions were noted as a result of the above listed procedures.
 - v. Amount of time it took to resolve each complaint.
 - **Results:** No exceptions were noted as a result of the above listed procedures.



ROBERT F. "BOB" ZABBIA
Mayor

City of Ponchatoula, Louisiana
Statewide Agreed-Upon Procedures

Schedule A

MANAGEMENT RESPONSE:

1) Written Policies and Procedures

- A. v. Payroll Policies & Procedures are under review and changes will be made.

- ix. The ethics policy will be updated to address a system to monitor possible ethics violations and documentation will be maintained to demonstrate that all employees and officials will be notified of any changes to the City's ethics policy.

- x. The City's Debt Service Policy will address EMMA reporting requirements, debt reserve requirements, and debt service requirements. The City has no debt and has had no debt for over 17 years.

- xi. The City has hired outside IT to be sure all data is backed up & can be restored, all systems have antivirus software and all updates have been installed timely.

- xii. The City will address annual employee training for Prevention of Sexual Harassment.

3) Bank Reconciliations

- A. i. All bank statements are reconciled monthly, including the Central Depository account. The Central Depository has a software conversion issue. The bank statement is reconciled, but is out of balance by the issue with software. All bank statements and reconciliations are reviewed and initialed monthly by a staff member that does not write or sign checks.

7) Travel and Travel-Related Expense Reimbursements

- A. i. The City has changed its' policy on travel reimbursements. The City had printed the rates at the beginning of each fiscal year, not realizing the rates had changed throughout the year. The City will now log onto the website for each location and current rate.



9) Payroll and Personnel

- B. ii. The City has initiated new procedures for payroll. All time sheets/cards will be initialed by both the employee and supervisor. The supervisor will approve/disapprove all leave requests.
- D. The City will make every effort to have are reports and payments filed in a timely manner to avoid all penalties.

10) Ethics

- A. i. The City has initiated a new hire orientation where all new employees will complete the Ethic & Sexual Harassment training upon hire, and maintain an annual certificate.

Cheryl R Hoover

Cheryl R Hoover Finance Manager

12/11/2023

Date