

**CITY OF PONCHATOULA, LOUISIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-05

City of Ponchatoula, Louisiana  
Annual Financial Statements  
Fiscal Year Ended June 30, 2004  
With Supplemental Information Schedules  
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# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

November 9, 2004

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ponchatoula, Louisiana's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 of Ponchatoula, Louisiana as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2004, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 – 17 and the budgetary comparison schedules identified as Schedule 1 through Schedule 6 are not required parts of the basic financial statements, but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The accompanying supplemental information listed in the table of contents under other supplemental information and identified as Schedule 7 through Schedule 10 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)

## **Management's Discussion and Analysis**

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis  
June 30, 2004

As management of the City of Ponchatoula, Louisiana (the "City"), we offer readers of the City of Ponchatoula, Louisiana's financial statements this narrative overview and analysis of the financial activities of the City of Ponchatoula, Louisiana for the fiscal year ended June 30, 2004. 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 (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the fourth year that the City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34. This reporting model significantly changed the presentation of financial data, and also the manner in which the information is recorded. Prior year comparative information for this reporting period has been included in these financial statements, 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 other Required Supplemental Information ("RSI,") that is provided in addition to this Management's Discussion and Analysis.

### **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. Other 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 Assets 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 assets* 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

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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).

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

- A. *Governmental activities* that are principally supported by taxes and intergovernmental revenues, and
- B. *Business-type activities* from other functions 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 assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City of Ponchatoula's net assets for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Net Assets on Exhibit A of this report.

	2004	2003	\$ Change	% Change
<b>Assets</b>				
Current and Other Assets	\$ 3,395,066	\$ 3,639,986	\$ (244,920)	-6.73%
Capital Assets	13,202,717	13,183,413	19,304	0.15%
Total Assets	<u>\$ 16,597,783</u>	<u>\$ 16,823,399</u>	<u>\$ (225,616)</u>	<u>-1.34%</u>
<b>Liabilities</b>				
Current Liabilities	\$ 367,079	\$ 431,188	\$ (64,109)	-14.87%
Long-Term Debt	2,081,659	2,700,887	(619,228)	-22.93%
Total Liabilities	<u>\$ 2,448,738</u>	<u>\$ 3,132,075</u>	<u>\$ (683,337)</u>	<u>-21.82%</u>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 11,121,058	\$ 10,482,526	\$ 638,532	6.09%
Restricted for Debt Service	222,606	557,715	(335,109)	-60.09%
Unrestricted Net Assets	2,805,381	2,651,083	154,298	5.82%
Total Net Assets	<u>\$ 14,149,045</u>	<u>\$ 13,691,324</u>	<u>\$ 457,721</u>	<u>3.34%</u>



City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$14,149,045 (net assets), an increase of \$457,721 from last year. Of the total amount, \$2,805,381 are unrestricted net assets. The City's net assets are comprised of \$7,185,147 from Governmental Activities and \$6,963,898 from Business Type Activities as shown on Exhibit A.

By far the largest portion of the City's net assets (78.60 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, City 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1.57 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,805,381 unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior three fiscal years.

To further understand what makes up the changes in net assets, 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. An analysis of the primary sources of these changes follows the table. For a more detailed analysis, see the Statement of Activities on Exhibit B of this report.

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

	<u>2004</u>	<u>2003</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 1,496,629	\$ 1,459,896	\$ 36,733	2.52%
Grants	613,115	660,468	(47,353)	-7.17%
General Revenues:				
Taxes	2,656,024	2,437,698	218,326	8.96%
Other	557,541	435,931	121,610	27.90%
Total Revenues	<u>\$ 5,323,309</u>	<u>\$ 4,993,993</u>	<u>\$ 329,316</u>	<u>6.59%</u>
Expenses:				
Governmental Activities	\$ 4,025,439	\$ 3,468,949	\$ 556,490	16.04%
Business-Type Activities	828,834	808,252	20,582	2.55%
Total Expenses	<u>\$ 4,854,273</u>	<u>\$ 4,277,201</u>	<u>\$ 577,072</u>	<u>13.49%</u>
Change in Net Assets	\$ 469,036	\$ 716,792	\$ (247,756)	-34.56%
Net Assets				
Beginning of the Year	<u>13,680,009</u>	<u>12,974,532</u>	<u>705,477</u>	<u>5.44%</u>
End of the Year	<u>\$ 14,149,045</u>	<u>\$ 13,691,324</u>	<u>\$ 457,721</u>	<u>3.34%</u>

The City's revenue from charges for services increased by \$36,733 or 2.52%. This increase came mainly from fines collected from Police Department activities.

Operating grants decreased \$47,353. This decrease was due to renovations to the Athletic Park that were completed during the previous fiscal year.

Taxes increased by \$218,326. Sales taxes made up the majority of this 8.96% increase from the prior year.

Other general revenue increased \$121,610. Transfers of \$200,000 from the Water Enterprise Fund to the General Fund were used to overlay approximately 5 miles of roads in the City.

Expenses in governmental activities increased by \$556,490. This increase was partially due to a \$200,000 street overlay project and the purchase / lease of four new police cars during the year.

### Governmental Activities

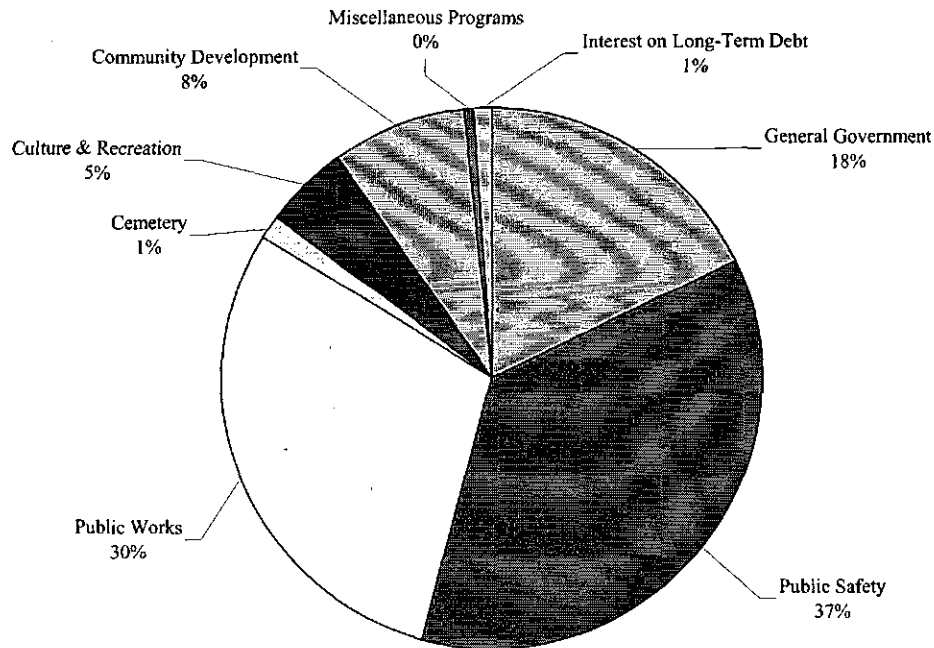
The Governmental Activities of the City include General Government, Public Safety, Public Works, Cemetery, Culture and Recreation, Community Development, and Miscellaneous Programs. Sales taxes, property taxes, and franchise taxes, as well as licenses, permits, and fines fund most of these governmental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

City of Ponchatoula, Louisiana  
 Management's Discussion and Analysis (Continued)  
 June 30, 2004

Administration. Public Safety encompasses the Police, Fire, and Civil Defense 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.

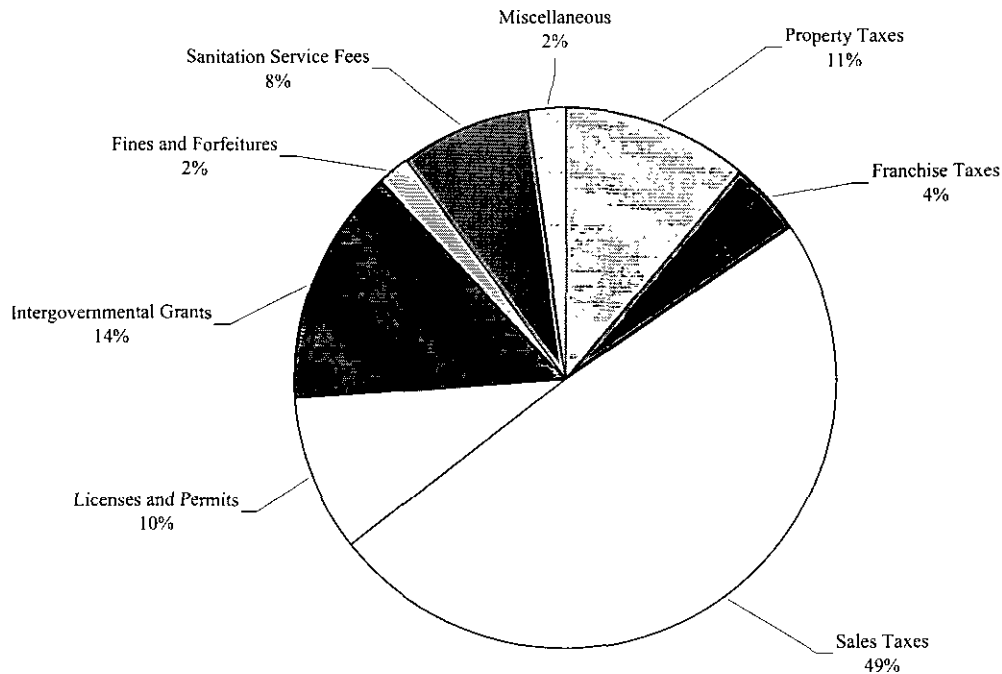
	<u>Amount</u>	<u>Percentage</u>
<b>Governmental Activities Expenditures:</b>		
General Government	\$ 709,814	17.63%
Public Safety	1,463,630	36.36%
Public Works	1,196,883	29.73%
Cemetery	46,035	1.14%
Culture & Recreation	209,335	5.20%
Community Development	322,572	8.01%
Miscellaneous Programs	19,623	0.49%
Interest on Long-Term Debt	44,278	1.10%
Other	13,269	0.34%
<b>Total Governmental Activities</b>	<b><u>\$ 4,025,439</u></b>	<b><u>100.00%</u></b>



City of Ponchatoula, Louisiana  
 Management's Discussion and Analysis (Continued)  
 June 30, 2004

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

	<u>Amount</u>	<u>Percentage</u>
<b>General Revenues:</b>		
Property Taxes	\$ 453,942	11.08%
Franchise Taxes	181,138	4.42%
Sales Taxes	2,002,714	48.90%
Licenses and Permits	393,549	9.61%
Intergovernmental Grants	570,950	13.94%
Fines and Forfeitures	81,597	1.99%
Sanitation Service Fees	322,777	7.88%
Miscellaneous	88,529	2.18%
<b>Total General Revenues</b>	<b><u>\$ 4,095,196</u></b>	<b><u>100.00%</u></b>



Sales taxes are the largest revenue source for the City comprising 49% of total governmental revenue (See Pie Chart). Intergovernmental grants are the second largest revenue source for the City accounting for 14% of total governmental revenue. Property taxes accounted for 10% of the City's total governmental revenue. For the year ended June 30, 2004, taxes of 16.52 mills were

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levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for police pay, fire pay, and to purchase equipment for both departments. This tax was renewed by public election on July 15, 2000 and is reflected in the 2003 levied tax amounts.

Property Taxes	2002		2003	
	<u>Taxes Levied</u>	<u>Mills</u>	<u>Taxes Levied</u>	<u>Mills</u>
General Fund	\$ 166,188	6.52	\$ 173,869	6.52
Police Millage	152,934	6.00	160,002	6.00
Fire Millage	50,978	2.00	53,334	2.00
Equipment Millage	<u>50,978</u>	<u>2.00</u>	<u>53,334</u>	<u>2.00</u>
Total Property Taxes Levied	<u>\$ 421,078</u>	<u>16.52</u>	<u>\$ 440,539</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. The City's water and sewer departments are reported here.

	<u>Operating Revenues</u>	
	<u>Water</u>	<u>Sewer</u>
Fiscal year ended June 30, 2003	\$ 280,253	\$ 756,548
Fiscal year ended June 30, 2004	<u>281,640</u>	<u>772,341</u>
Increase (Decrease) Between Years	<u>\$ 1,387</u>	<u>\$ 15,793</u>

	<u>Operating Expenses</u>	
	<u>Water</u>	<u>Sewer</u>
Fiscal year ended June 30, 2003	\$ 210,056	\$ 527,548
Fiscal year ended June 30, 2004	<u>208,900</u>	<u>579,992</u>
Increase (Decrease) Between Years	<u>\$ (1,156)</u>	<u>\$ 52,444</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 three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

- 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.*

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 government 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 C-1 and D-1.

The City maintains twelve 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, 1965 and 1982 Sales Tax Funds, Fireman Pay Millage Fund, Policeman Pay Millage Fund, and the Equipment Millage Fund, all of which are considered to be major funds. Data from the other governmental funds (Mausoleum Trust Fund, 1997 LCDBG Economic Development Fund, 2002 LCDGB Housing Rehabilitation Fund, FY 1998 Sales Tax Sinking Fund, FY 2003 Series ST Bond Sinking Fund, FY 1994 Series ST Bond Reserve Fund, and FY 1998 Capital Projects Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on Exhibits C and D of this report.

*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 \$2,160,313, an increase of \$58,454 from June 30, 2003. In the General Fund, the unreserved fund balance is \$688,269.

The City has followed the recommendation from its auditors to retain at least \$250,000 of the over \$485,000 fund balance in each of the Sales Tax Funds to provide for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions.

The amounts in the Police and Fire Department Millage funds have been designated by public election to be used only towards salaries in these departments. The total amount

City of Ponchatoula, Louisiana  
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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 and firemen. In addition, monies in the Equipment Millage Fund are only to be spent on equipment for the police and fire departments.

The reserved fund balance in governmental funds in the amount of \$113,722 indicate that these funds are not available for new spending because they have already been committed for debt service. The net increase in fund balance during the current year in the debt service fund was minimal. The debt service fund's total fund balance is reserved for the payment of debt.

Changes in Fund Balance in Some of the City's Major Funds:

<u>Fund Balance Date</u>	<u>General Fund</u>	<u>1965 Sales Tax Fund</u>	<u>1982 Sales Tax Fund</u>
June 30, 2003	\$ 567,623	\$ 455,927	\$ 444,422
June 30, 2004	<u>688,269</u>	<u>516,839</u>	<u>487,053</u>
Increase (Decrease) in Fund Balance	<u>\$ 120,646</u>	<u>\$ 60,912</u>	<u>\$ 42,631</u>

Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on Schedule 7.

- 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 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 E, F, and G.
  
- C. Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's other programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is the Cemetery Endowment Fund. The basic fiduciary fund financial statements can be found on Exhibits H and I.

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Management's Discussion and Analysis (Continued)  
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3. Notes to the 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 statement can be found on the pages indicated in the table of contents.

4. Other Supplementary Information

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

A. Budgetary Comparison Schedule – The City adopts an annual appropriated budget for its general fund, two sales tax funds, 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 these funds to demonstrate compliance, beginning on Schedule 1.

B. Budget Amendment Items include:

1. Revenues:

- a. Anticipated increases in the following items determined that the budget should be amended by \$6,500 for property tax collections, \$25,000 for occupational licenses, as well as \$15,000 for franchise tax fees.
- b. A contract inspector for the Ponchatoula Volunteer Fire Department was added. Half of the contract amount, along with additional reimbursements, resulted in an increase of almost \$25,000 to the City.
- c. A transfer from the 1982 Sales Tax Fund in the amount of \$15,000 was used to partially pay for land for a future park in District D.
- d. Transfers of \$40,000 from each the 1965 and 1982 Sales Tax funds, and \$6,250 from the 1998 Capital Projects Fund, increased revenues in the General Fund.
- e. An expected \$50,000 grant was not available by year-end to be used for Industrial Park improvements.
- f. Other grants incorporated in the amended budget include: \$9,000 for roof repairs to the Police Department and \$25,000 from Rural Development in addition to \$20,000 from Elmer Candy Corp. for railroad improvements.



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2. Expenditures:

- a. Repairs to the roof of the Police Station were expected to be \$20,000.
- b. Overtime in the Fire Department was increased by \$11,000 in the amended budget. The contract inspector mentioned above caused \$12,115 of expense to be added to the budget.
- c. In the Street Department, Salaries and related expenses increased \$15,600; maintenance and repairs to equipment went up \$19,000; and \$7,000 was added to supply expenses. A truck for the Street Superintendent added \$7,250. Catch basins and culverts, along with sidewalk & parking improvements were raised \$19,000. Christmas decorations cost \$8,565 more and interstate light repairs were \$6,356 over the original budget amount.
- d. Air conditioners were replaced in the Community Center at an additional cost of \$12,500. Energy costs were \$13,000 over budget as well from the air conditioners not working properly.
- e. There was no Parks Department employee. Salaries and related expenses of \$14,000 were reduced from the original budget.
- f. Election expense was \$7,575 less than budgeted.
- g. As mentioned above, an expected grant was not received, so \$38,718 was not spent for Industrial Park improvements.
- h. Also, fees for accounting services decreased an additional \$1,200 in this fiscal year in addition to the \$7,600 reduction in 2002-2003 as the City's Finance Manager took on more accounting responsibilities.

C. Analysis of Significant Budget Variances in the General Fund:

1. Revenues:

- a. Several projects that were to be funded by grants were not completed by the fiscal year end, resulting in lower than expected revenues accounted for in the miscellaneous column.

2. Expenditures:

- a. As explained above, some projects were not completed this fiscal year, resulting in reduced capital outlay expenditures.

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
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**Supplemental Information**

1. Combining statements of the non-major Governmental Funds – Special Revenue (Mausoleum Trust, 2002 LCDBG Housing Rehabilitation, and 1997 LCDBG Economic Development), Debt Service Funds (FY 1998 Sales Tax Sinking, FY 2003 Series ST Bond Sinking, FY 1994 Series ST Bond Reserve), and Capital Projects (1998 Capital Projects) have been provided beginning on Schedule 7.
2. Other Supplementary Schedules follow, starting on Schedule 9.

**Capital Asset and Debt Administration**

1. Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2004 in its governmental activities is \$6,059,682 and in business-type activities is \$7,143,035 which totals \$13,202,717 for the City. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was a \$(25,341) decrease for governmental activities and a \$47,208 increase for business-type activities.

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

- A. Various sewer line additions were constructed by the Sewer Fund at a cost of \$107,000.
- B. Land was purchased for a future park in Council District D at a price of \$25,700.
- C. At the wastewater treatment plant, baffles were replaced at a cost of \$132,350.
- D. Four vehicles were added at a value of \$86,150 to the Police fleet.
- E. \$44,350 of improvements and extensions were added by the Water Fund.

Additional information on the City's capital assets can be found in Note 6.

2. Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,081,659. Of this amount, \$72,659 comprises debt backed by a pledge of the excess revenues of the General Fund (and pledges of vehicles and equipment), \$415,000 payable from a pledge of the excess revenues of the General Fund, \$561,000 payable from a pledge of the City's 1982 1% Sales and Use Tax, and \$1,033,000 payable from a pledge of the City's sewer revenues.

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

The City's total debt decreased during the current fiscal year in the amount of \$619,228 made in principal payments toward the outstanding debt.

Additional information on the City's long-term debt can be found in Note 11.

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the City's budget for the 2005 fiscal year:

As noted in the government activities section above, sales taxes are the City's largest revenue source. For fiscal year ending June 30, 2005, there was no budgeted revenue increase in sales tax over actual collections in the June 30, 2004 fiscal year.

In 2002-2003, the City began the process to refund both the Sewer Revenue Bonds and the 1994 Sales Tax Bonds. The actual refunding was completed early in the 2003-2004 fiscal year. The average annual debt service from both of these bonds will be reduced by approximately \$82,000.

The City has continued work under a \$600,000 LCDBG grant that allows for housing demolition and replacement in a federally approved target area of the City. Approximately \$180,000 will be expended this year for the construction of three new homes and the demolition of one substandard residence.

After a sale in the Industrial Park to Acadian Cypress and Hardwoods, the City qualified for \$231,407 grant funds for engineering, design and inspection of construction of a roadway, as well as water, sewerage, and drainage improvements.

The Louisiana Municipal Association is providing funding for \$1,100 of start-up expenses for the City of Ponchatoula to create a web site. In addition, they will pay the monthly hosting fee for 12 months.

In early 2005, the City will begin an "Economic Development Strategic Planning" project, funded by a US Department of Agriculture grant of almost \$10,000.

Sidewalk improvements in the amount of \$26,000, funded by a grant from the Governor's Office of Rural Development, are expected to be completed by during this fiscal year.

An additional Rural Development Grant of almost \$11,000 is scheduled to be used to replace grass-cutting equipment in the spring of 2005.

The new administration, inaugurated on July 1, 2004, plans renovations to the Police Department complex, as well as refurbishments to City Hall. This will include a security system for the City Hall building and its employees. These projects total approximately \$25,000.

The completion of a baffle replacement project in the City's wastewater treatment facility is included at \$132,000 in the 2004-2005 budget.

City of Ponchatoula, Louisiana  
Management's Discussion and Analysis (Continued)  
June 30, 2004

The Ponchatoula Public Arts Commission has secured funding through a Capital Outlay grant and through fundraisers for the estimated \$65,000 needed to have the Strawberry Farmers Wall of Honor to be erected in front of City Hall.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Elizabeth LeSaichere, CPA, CMC, Finance Manager / City Clerk, 125 West Hickory Street, Ponchatoula, Louisiana, 70454.

## **Basic Financial Statements**

City of Ponchatoula, Louisiana  
Statement of Net Assets  
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total - (Memorandum Only)</u>	
			2004	2003
<b>Assets</b>				
Cash & Cash Equivalents	\$ 1,255,617	\$ 190,032	\$ 1,445,649	\$ 1,257,797
Investments	512,243	363,877	876,120	1,087,495
Receivables, Net	477,027	88,544	565,571	530,477
Due from Other Governments	59,437	-	59,437	148,666
Internal Balances	9,310	-	9,310	5,139
Prepaid Insurance	717	-	717	444
Restricted Cash & Cash Equivalents	-	184,727	184,727	152,092
Restricted Investments	-	239,395	239,395	457,876
Capital Assets, Net	6,059,682	7,143,035	13,202,717	13,183,413
Other Assets	-	14,140	14,140	-
Total Assets	<u>\$ 8,374,033</u>	<u>\$ 8,223,750</u>	<u>\$ 16,597,783</u>	<u>\$ 16,823,399</u>
<b>Liabilities</b>				
Accounts Payable	\$ 78,413	\$ 11,199	\$ 89,612	\$ 87,781
Accrued Liabilities	17,529	10,407	27,936	81,237
Deferred Revenue	44,285	-	44,285	69,573
Internal Balances	-	9,310	9,310	5,139
Current Portion of Long-Term Obligations	221,623	123,000	344,623	329,247
Utility Deposits	-	195,936	195,936	187,458
Non-Current Portion of Long-Term Obligations	827,036	910,000	1,737,036	2,371,640
Total Liabilities	<u>\$ 1,188,886</u>	<u>\$ 1,259,852</u>	<u>\$ 2,448,738</u>	<u>\$ 3,132,075</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	\$ 5,011,023	\$ 6,110,035	\$ 11,121,058	\$ 10,482,526
Restricted for:				
Debt Service	126,816	95,790	222,606	557,715
Unrestricted Net Assets	2,047,308	758,073	2,805,381	2,651,083
Total Net Assets	<u>\$ 7,185,147</u>	<u>\$ 6,963,898</u>	<u>\$ 14,149,045</u>	<u>\$ 13,691,324</u>

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total (Memorandum Only)	
							2004	2003
<b>Governmental Activities:</b>								
General Government	\$ 709,814	\$ 24,820	\$ 9,188	\$ -	\$ (675,806)	\$ -	\$ (675,806)	\$ (358,622)
Public Safety	1,463,630	81,597	255,726	830	(1,125,477)	-	(1,125,477)	(1,093,353)
Public Works	1,196,883	328,211	-	-	(868,672)	-	(868,672)	(774,202)
Cemetery	46,035	8,020	-	-	(38,015)	-	(38,015)	(39,561)
Culture and Recreation	209,335	-	526	-	(208,809)	-	(208,809)	(128,945)
Community Development	322,572	-	293,835	-	(28,737)	-	(28,737)	55,396
Miscellaneous Programs	19,623	-	-	-	(19,623)	-	(19,623)	(22,158)
Interest on Long-Term Debt	44,278	-	-	-	(44,278)	-	(44,278)	(75,267)
Other	13,269	-	-	-	(13,269)	-	(13,269)	-
<b>Total Governmental Activities</b>	<b>\$ 4,025,439</b>	<b>\$ 442,648</b>	<b>\$ 559,275</b>	<b>\$ 830</b>	<b>(3,022,686)</b>	<b>\$ -</b>	<b>(3,022,686)</b>	<b>\$ (2,436,712)</b>
<b>Business-Type Activities</b>								
Water	\$ 208,900	\$ 281,640	\$ -	\$ -	\$ -	\$ 72,740	\$ 72,740	\$ 70,197
Sewer	619,934	772,341	53,010	-	-	205,417	205,417	209,678
<b>Total Business-Type Activities</b>	<b>\$ 828,834</b>	<b>\$ 1,053,981</b>	<b>\$ 53,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 278,157</b>	<b>\$ 278,157</b>	<b>\$ 279,875</b>
<b>Total Primary Government</b>	<b>\$ 4,854,273</b>	<b>\$ 1,496,629</b>	<b>\$ 612,285</b>	<b>\$ 830</b>	<b>\$ (3,022,686)</b>	<b>\$ 278,157</b>	<b>\$ (2,744,529)</b>	<b>\$ (2,156,837)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes					\$ 453,942	\$ -	\$ 453,942	\$ 432,958
Franchise Taxes					181,138	-	181,138	165,788
Sales Taxes					2,002,714	-	2,002,714	1,823,239
Alcoholic Beverage Tax					18,230	-	18,230	15,713
Occupational Licenses					368,729	-	368,729	326,444
Investment Earnings					28,281	15,470	43,751	57,282
Gain (Loss) on Sale of Assets					105,652	-	105,652	12,965
Miscellaneous					39,409	-	39,409	39,240
Transfers					184,000	(184,000)	-	-
<b>Total General Revenues and Transfers</b>					<b>\$ 3,382,095</b>	<b>\$ (168,530)</b>	<b>\$ 3,213,565</b>	<b>\$ 2,873,629</b>
<b>Change in Net Assets</b>					<b>\$ 359,409</b>	<b>\$ 109,627</b>	<b>\$ 469,036</b>	<b>\$ 716,792</b>
<b>Net Assets - Beginning of the Year</b>					<b>\$ 6,825,738</b>	<b>\$ 6,854,271</b>	<b>\$ 13,680,009</b>	<b>\$ 12,974,532</b>
<b>Net Assets - End of the Year</b>					<b>\$ 7,185,147</b>	<b>\$ 6,963,898</b>	<b>\$ 14,149,045</b>	<b>\$ 13,691,324</b>

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General Fund	1965 Sales Tax Fund	1982 Sales Tax Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	Other Governmental Funds	Total Governmental Funds (Memorandum Only) 2004	Total Governmental Funds (Memorandum Only) 2003
<b>Assets</b>									
Cash	\$ 656,932	\$ 88,006	\$ 76,851	\$ 71,107	\$ 149,371	\$ 99,556	\$ 113,794	\$ 1,255,617	\$ 995,711
Investments	-	248,275	229,644	-	-	-	34,324	512,243	726,144
Receivables, Net									
Ad Valorem Taxes	2,973	-	-	-	-	-	-	2,973	2,913
Franchise Taxes	32,271	-	-	-	-	-	-	32,271	39,044
Sales Taxes	-	181,739	181,739	-	-	-	-	363,478	305,596
Garbage Collection Fees	28,395	-	-	-	-	-	-	28,395	24,885
Notes	-	-	-	-	-	-	49,535	49,535	69,573
Other Receivables	-	-	-	-	-	-	375	375	7,330
Due from Other Funds	9,310	-	-	-	-	-	-	9,310	-
Due from Other Governments	59,437	-	-	-	-	-	-	59,437	-
Total Assets	\$ 789,318	\$ 518,020	\$ 488,234	\$ 71,107	\$ 149,371	\$ 99,556	\$ 198,028	\$ 2,313,634	\$ 2,319,862
<b>Liabilities and Fund Balance</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 70,426	\$ 1,181	\$ 1,181	-	-	-	\$ 5,625	\$ 78,413	\$ 81,074
Accrued Liabilities	30,623	-	-	-	-	-	-	30,623	62,217
Deferred Revenue	-	-	-	-	-	-	44,285	44,285	69,573
Due to Other Funds	-	-	-	-	-	-	-	-	5,139
Total Liabilities	\$ 101,049	\$ 1,181	\$ 1,181	-	-	-	\$ 49,910	\$ 153,321	\$ 218,003
<b>Fund Balance</b>									
Reserved for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,722	\$ 113,722	\$ 276,847
Unreserved, Designated	-	-	-	-	-	-	15,607	15,607	-
Unreserved, Reported in:									
General Fund	688,269	-	-	-	-	-	-	688,269	567,623
Special Revenue Fund	-	516,839	487,053	71,107	149,371	99,556	18,789	1,342,715	1,251,140
Capital Projects Fund	-	-	-	-	-	-	-	-	6,249
Total Fund Balance	\$ 688,269	\$ 516,839	\$ 487,053	\$ 71,107	\$ 149,371	\$ 99,556	\$ 148,118	\$ 2,160,313	\$ 2,101,859
Total Liabilities & Fund Balance	\$ 789,318	\$ 518,020	\$ 488,234	\$ 71,107	\$ 149,371	\$ 99,556	\$ 198,028	\$ 2,313,634	\$ 2,319,862

The accompanying notes are an integral part of this statement.



City of Ponchatoula, Louisiana  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 Governmental Funds  
 For the Year Ended June 30, 2004

Exhibit C-1

Fund Balances - Total Governmental Funds (Exhibit C) \$ 2,160,313

Amounts reported for governmental activities in the statement of net assets 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	11,829,753
Less: Accumulated Depreciation	(5,770,071)

Prepaid insurance is not accrued and is therefore not reported in the governmental funds.

Prior Year Prepaid Insurance	(3,450)
Current Year Prepaid Insurance	4,167

Accrued interest on long-term debt is not accrued and is therefore not reported in the governmental funds.

Prior Year Accrued Interest	22,105
Current Year Accrued Interest	(9,011)

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

Capital Lease Obligations	(72,659)
Public Improvement Bonds	(561,000)
Certificates of Indebtedness	<u>(415,000)</u>

Net Assets of Governmental Activities (Exhibit A) \$ 7,185,147

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2004

	General Fund	1965 Sales Tax Fund	1982 Sales Tax Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	Other Governmental Funds	Total Governmental Funds (Memorandum Only)	
								2004	2003
<b>Revenues:</b>									
Property Taxes	\$ 187,946	\$ -	\$ -	\$ 53,051	\$ 159,894	\$ 53,051	\$ -	\$ 453,942	\$ 432,958
Franchise Taxes	181,138	-	-	-	-	-	-	181,138	165,788
Sales Taxes	-	1,001,357	1,001,357	-	-	-	-	2,002,714	1,823,239
Licenses and Permits	393,549	-	-	-	-	-	-	393,549	352,979
Intergovernmental Grants	280,259	-	-	-	-	830	289,861	570,950	522,616
Fines and Forfeitures	81,597	-	-	-	-	-	-	81,597	69,601
Sanitation Service Fees	322,777	-	-	-	-	-	-	322,777	309,672
Miscellaneous	64,874	6,564	5,757	672	1,560	841	8,261	88,529	194,158
<b>Total Revenues</b>	<b>\$ 1,512,140</b>	<b>\$ 1,007,921</b>	<b>\$ 1,007,114</b>	<b>\$ 53,723</b>	<b>\$ 161,454</b>	<b>\$ 54,722</b>	<b>\$ 298,122</b>	<b>\$ 4,095,196</b>	<b>\$ 3,871,011</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General Government	\$ 662,689	\$ 7,009	\$ 7,009	\$ 500	\$ 500	\$ -	\$ 154	\$ 677,861	\$ 649,415
Public Safety	1,353,440	-	-	-	-	12,252	-	1,365,692	1,265,812
Public Works	973,733	-	-	-	-	-	-	973,733	878,112
Cemetery	45,951	-	-	-	-	-	-	45,951	48,390
Culture and Recreation	173,676	-	-	-	-	-	-	173,676	142,020
Community Development	25,606	-	-	-	-	-	-	296,966	322,572
Miscellaneous Programs	13,451	-	-	-	-	-	-	13,451	15,987
Capital Outlay	348,034	-	-	-	-	27,555	-	375,589	403,940
Debt Service:									
Principal	39,376	-	-	-	-	-	354,000	393,376	222,585
Interest	1,247	-	-	-	-	-	56,125	57,372	78,318
Other	-	-	-	-	-	-	13,269	13,269	-
<b>Total Expenditures</b>	<b>\$ 3,637,203</b>	<b>\$ 7,009</b>	<b>\$ 7,009</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 39,807</b>	<b>\$ 720,514</b>	<b>\$ 4,412,542</b>	<b>\$ 3,720,564</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (2,125,063)</b>	<b>\$ 1,000,912</b>	<b>\$ 1,000,105</b>	<b>\$ 53,223</b>	<b>\$ 160,954</b>	<b>\$ 14,915</b>	<b>\$ (422,392)</b>	<b>\$ (317,346)</b>	<b>\$ 150,447</b>

City of Ponchatoula, Louisiana  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2004

	General Fund	1965 Sales Tax Fund		1982 Sales Tax Fund		Fireman Pay Millage Fund		Policeman Pay Millage Fund		Equipment Millage Fund		Other Governmental Funds		Total Governmental Funds (Memorandum Only)		
														2004	2003	
Other Financial Sources (Uses):																
Transfers In	\$ 2,161,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,494	\$ 2,473,531	\$ 2,058,088		
Transfers Out	(107,128)	(940,000)	(957,474)	(44,262)	(181,191)	-	-	-	-	-	-	(59,476)	(2,289,531)	(2,042,088)		
Sale of Capital Assets	105,652	-	-	-	-	-	-	-	-	-	-	-	105,652	22,786		
Proceeds from Capital Leases	86,148	-	-	-	-	-	-	-	-	-	-	-	86,148	-		
Total Other Financing Sources and Uses	\$ 2,245,709	\$ (940,000)	\$ (957,474)	\$ (44,262)	\$ (181,191)	\$ -	\$ -	\$ 253,018	\$ 375,800	\$ 38,786						
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$ 120,646	\$ 60,912	\$ 42,631	\$ 8,961	\$ (20,237)	\$ 14,915	\$ (169,374)	\$ 58,454	\$ 189,233							
Fund Balance - Beginning of the Year	\$ 567,623	\$ 455,927	\$ 444,422	\$ 62,146	\$ 169,608	\$ 84,641	\$ 317,492	\$ 2,101,859	\$ 1,912,626							
Fund Balance - End of the Year	\$ 688,269	\$ 516,839	\$ 487,053	\$ 71,107	\$ 149,371	\$ 99,556	\$ 148,118	\$ 2,160,313	\$ 2,101,859							

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2004

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds (Exhibit D) \$ 58,454

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

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

Depreciation Expense	(395,673)
Capital Outlay	375,589

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net assets as prepaid insurance.

Prior Year Prepaid Insurance	(3,450)
Current Year Prepaid Insurance	4,167

Governmental funds expense interest payments on long-term debt when paid. In the statement of activities, the total interest applicable to the current year is expensed. As a result, accrued interest is expensed in the statement of activities.

Prior Year Accrued Interest	22,105
Current Year Accrued Interest	(9,011)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds because:

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Proceeds	(703,148)
Repayments	1,010,376

Change in Net Assets of Governmental Activities (Exhibit B)	\$ 359,409
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The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit E

Assets	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2004	2003
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 195,047	\$ (5,015)	\$ 190,032	\$ 262,086
Accounts Receivable, Net	22,377	66,167	88,544	81,136
Investments	363,877	-	363,877	361,351
Due from General Fund	-	-	-	5,139
Due from Sewer Fund	-	-	-	14,932
Total Current Assets	\$ 581,301	\$ 61,152	\$ 642,453	\$ 724,644
<b>Non-Current Assets:</b>				
<b>Restricted Assets:</b>				
<b>Cash and Cash Equivalents:</b>				
Water Fund - Meter Deposits	\$ 19,605	\$ -	\$ 19,605	\$ 11,439
Sewer Fund - Revenue	-	61,240	61,240	24,798
Sewer Fund - Sinking	-	78,530	78,530	65,849
Sewer Fund - Renewal & Replacement	-	25,352	25,352	50,006
<b>Investments:</b>				
Water Fund - Meter Deposits	175,320	-	175,320	173,641
Sewer Fund - Revenue	-	64,075	64,075	78,568
Sewer Fund - Sinking	-	-	-	14,300
Sewer Fund - Reserve	-	-	-	191,367
Total Restricted Assets	\$ 194,925	\$ 229,197	\$ 424,122	\$ 609,968
<b>Capital Assets:</b>				
Property, Plant, and Equipment, at Cost	\$ 2,741,820	\$ 7,398,395	\$ 10,140,215	\$ 9,845,215
Less: Accumulated Depreciation	(991,933)	(2,100,670)	(3,092,603)	(2,844,811)
Land	89,253	6,170	95,423	95,423
Total Capital Assets	\$ 1,839,140	\$ 5,303,895	\$ 7,143,035	\$ 7,095,827
<b>Other Assets:</b>				
Bond Issuance Costs	\$ -	\$ 15,559	\$ 15,559	\$ -
Less: Accumulated Amortization	-	(1,419)	(1,419)	-
Total Other Assets	-	14,140	14,140	-
Total Non-Current Assets	\$ 2,034,065	\$ 5,547,232	\$ 7,581,297	\$ 7,705,795
<b>Total Assets</b>	<b>\$ 2,615,366</b>	<b>\$ 5,608,384</b>	<b>\$ 8,223,750</b>	<b>\$ 8,430,439</b>

(Continued)

City of Ponchatoula, Louisiana  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit E  
(Continued)

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2004	2003
	<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 2,853	\$ 8,346	\$ 11,199	\$ 6,707
Due to General Fund	372	8,938	9,310	-
Due to Water Fund	-	-	-	14,932
<b>Total Current Liabilities (Payable from Current Assets)</b>	<b>\$ 3,225</b>	<b>\$ 17,284</b>	<b>\$ 20,509</b>	<b>\$ 21,639</b>
Current Liabilities (Payable from Restricted Assets):				
Customers' Deposits	\$ 195,936	\$ -	\$ 195,936	\$ 187,458
Accrued Bond Interest	-	10,407	10,407	22,071
Sewer Revenue Bonds Payable	-	123,000	123,000	125,000
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<b>\$ 195,936</b>	<b>\$ 133,407</b>	<b>\$ 329,343</b>	<b>\$ 334,529</b>
<b>Total Current Liabilities</b>	<b>\$ 199,161</b>	<b>\$ 150,691</b>	<b>\$ 349,852</b>	<b>\$ 356,168</b>
<b>Long-Term Liabilities:</b>				
Sewer Revenue Bonds	\$ -	\$ 910,000	\$ 910,000	\$ 1,220,000
<b>Total Long-Term Liabilities</b>	<b>\$ -</b>	<b>\$ 910,000</b>	<b>\$ 910,000</b>	<b>\$ 1,220,000</b>
<b>Total Liabilities</b>	<b>\$ 199,161</b>	<b>\$ 1,060,691</b>	<b>\$ 1,259,852</b>	<b>\$ 1,576,168</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 1,839,140	\$ 4,270,895	\$ 6,110,035	\$ 5,750,827
Restricted for Revenue Bond Retirement Unrestricted	-	95,790	95,790	277,817
	577,065	181,008	758,073	825,627
<b>Total Net Assets</b>	<b>\$ 2,416,205</b>	<b>\$ 4,547,693</b>	<b>\$ 6,963,898</b>	<b>\$ 6,854,271</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,615,366</b>	<b>\$ 5,608,384</b>	<b>\$ 8,223,750</b>	<b>\$ 8,430,439</b>

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit F

	Business-Type Activities -		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2004	2003
<b>Operating Revenues:</b>				
Charges for Services	\$ 279,078	\$ 765,041	\$ 1,044,119	\$ 1,029,745
Connection Fees	2,562	-	2,562	2,981
Inspection Fees	-	7,300	7,300	4,075
<b>Total Operating Revenues</b>	<b>\$ 281,640</b>	<b>\$ 772,341</b>	<b>\$ 1,053,981</b>	<b>\$ 1,036,801</b>
<b>Operating Expenses:</b>				
Salaries and Employee Benefits	\$ 55,028	\$ 151,688	\$ 206,716	\$ 182,077
Office Supplies	19,090	24,796	43,886	40,434
Professional Fees	5,500	5,500	11,000	11,025
Repairs and Maintenance	199	113,385	113,584	107,712
Vehicle Expense	5,006	5,180	10,186	9,412
Utilities and Telephone	30,651	68,236	98,887	84,437
Depreciation and Amortization	69,521	179,690	249,211	226,878
Water Chlorination	4,425	-	4,425	4,515
EPA Testing	-	16,698	16,698	17,155
Insurance	9,810	-	9,810	11,375
Bad Debts	1,326	7,159	8,485	12,794
Engineering	-	-	-	7,794
Sewer Rehabilitation	-	414	414	8,381
Miscellaneous	8,344	7,246	15,590	13,615
<b>Total Operating Expenses</b>	<b>\$ 208,900</b>	<b>\$ 579,992</b>	<b>\$ 788,892</b>	<b>\$ 737,604</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 72,740</b>	<b>\$ 192,349</b>	<b>\$ 265,089</b>	<b>\$ 299,197</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Interest	\$ 12,662	\$ 2,808	\$ 15,470	\$ 21,890
Interest Expense	-	(39,942)	(39,942)	(70,648)
Loss on Sale / Disposal of Assets	-	-	-	(9,821)
Capital Grants	-	53,010	53,010	51,326
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 12,662</b>	<b>\$ 15,876</b>	<b>\$ 28,538</b>	<b>\$ (7,253)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>\$ 85,402</b>	<b>\$ 208,225</b>	<b>\$ 293,627</b>	<b>\$ 291,944</b>

(Continued)

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit F  
(Continued)

	Business-Type Activities -		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2004	2003
Transfers to General Fund	\$ (184,000)	\$ -	\$ (184,000)	\$ (16,000)
Change in Net Assets	\$ (98,598)	\$ 208,225	\$ 109,627	\$ 275,944
Net Assets - Beginning of the Year	\$ 2,514,803	\$ 4,339,468	\$ 6,854,271	\$ 6,578,327
Net Assets - End of the Year	<u>\$ 2,416,205</u>	<u>\$ 4,547,693</u>	<u>\$ 6,963,898</u>	<u>\$ 6,854,271</u>

The accompanying notes are an integral part of this statement.



City of Ponchatoula, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2004	2003
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 278,852	\$ 759,236	\$ 1,038,088	\$ 1,024,130
Payments to Suppliers	(82,851)	(237,137)	(319,988)	(380,213)
Payments to Employees	(55,028)	(151,688)	(206,716)	(182,077)
Other Receipts (Payments)	8,478	(11,664)	(3,186)	13,835
Net Cash Provided by Operating Activities	<u>\$ 149,451</u>	<u>\$ 358,747</u>	<u>\$ 508,198</u>	<u>\$ 475,675</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers to Other Funds	\$ (184,000)	\$ -	\$ (184,000)	\$ (16,000)
(Increase) Decrease in Due to / from Other Funds	19,788	(5,339)	14,449	64,358
Net Cash Provided by Noncapital Financing Activities	<u>\$ (164,212)</u>	<u>\$ (5,339)</u>	<u>\$ (169,551)</u>	<u>\$ 48,358</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital Grants Received	\$ -	\$ 53,010	\$ 53,010	\$ 51,326
Purchase of Equipment	(44,687)	(250,313)	(295,000)	(336,416)
Bond Issuance Costs	-	(15,559)	(15,559)	-
Principal Paid on Revenue Bonds	-	(312,000)	(312,000)	(120,000)
Interest Paid on Revenue Bonds	-	(39,942)	(39,942)	(72,616)
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (44,687)</u>	<u>\$ (564,804)</u>	<u>\$ (609,491)</u>	<u>\$ (477,706)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest Earned on Investments	\$ 12,662	\$ 2,808	\$ 15,470	\$ 21,890
Proceeds from Sales or Maturities of Investments	-	220,160	220,160	156,894
Purchase of Investments	(4,205)	-	(4,205)	-
Net Cash Provided (Used) by Investing Activities	<u>\$ 8,457</u>	<u>\$ 222,968</u>	<u>\$ 231,425</u>	<u>\$ 178,784</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ (50,991)</u>	<u>\$ 11,572</u>	<u>\$ (39,419)</u>	<u>\$ 225,111</u>
Cash - Beginning of the Year	<u>\$ 265,643</u>	<u>\$ 148,535</u>	<u>\$ 414,178</u>	<u>\$ 189,067</u>
Cash - End of the Year	<u>\$ 214,652</u>	<u>\$ 160,107</u>	<u>\$ 374,759</u>	<u>\$ 414,178</u>
<b>Reconciliation of Cash Accounts:</b>				
Unrestricted	\$ 195,047	\$ (5,015)	\$ 190,032	\$ 262,086
Restricted	19,605	165,122	184,727	152,092
	<u>\$ 214,652</u>	<u>\$ 160,107</u>	<u>\$ 374,759</u>	<u>\$ 414,178</u>

(Continued)

City of Ponchatoula, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit G  
(Continued)

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Fund	Fund	2004	2003
	Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 72,740	\$ 192,349	\$ 265,089	\$ 299,197
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	69,521	179,690	249,211	226,878
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,462)	(5,946)	(7,408)	123
Increase (Decrease) in Accounts Payable	174	4,318	4,492	(64,358)
Increase (Decrease) in Customer Deposits	8,478	-	8,478	13,835
Increase (Decrease) in Accrued Bond Interest	-	(11,664)	(11,664)	-
Net Cash Provided by Operating Activities	\$ 149,451	\$ 358,747	\$ 508,198	\$ 475,675
Supplemental Information:				
Interest Paid	\$ -	\$ 39,942	\$ 39,942	\$ 72,616

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

Exhibit H

	Nonexpendable Trust		
	Cemetery Endowment Fund	Total (Memorandum Only)	
		2004	2003
<b>Assets</b>			
Cash	\$ 8,978	\$ 8,978	\$ 7,422
Investments	101,338	101,338	100,368
Accrued Interest Receivable	259	259	259
 Total Assets	 \$ 110,575	 \$ 110,575	 \$ 108,049
 <b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Due to General Fund	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
 <b>Net Assets</b>			
Held in Trust -			
Reserved for Endowment Principle	\$ 110,316	\$ 110,316	\$ 107,790
Held in Trust -			
Reserved for Cemetery Maintenance	259	259	259
Total Net Assets	\$ 110,575	\$ 110,575	\$ 108,049
 Total Liabilities and Net Assets	 \$ 110,575	 \$ 110,575	 \$ 108,049

The accompanying notes are an integral part of this statement.

City of Ponchatoula, Louisiana  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2004

Exhibit I

	Nonexpendable Trust		
	Cemetery Endowment Fund	Total (Memorandum Only)	
		2004	2003
<b>Additions:</b>			
Contributions	\$ 3,025	\$ 3,025	\$ 5,450
Investment Interest	1,060	1,060	1,510
Total Additions	\$ 4,085	\$ 4,085	\$ 6,960
<b>Deductions:</b>			
Benefits - Cemetery Maintenance	\$ 1,559	\$ 1,559	\$ 1,519
Miscellaneous Deductions	-	-	-
Total Deductions	1,559	1,559	1,519
Change in Net Assets	\$ 2,526	\$ 2,526	\$ 5,441
Net Assets - Beginning of the Year	\$ 108,049	\$ 108,049	\$ 102,608
Net Assets - End of the Year	\$ 110,575	\$ 110,575	\$ 108,049

The accompanying notes are an integral part of this statement.

## **Notes to Financial Statements**

City of Ponchatoula, Louisiana  
Notes to Financial Statements  
June 30, 2004

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City of Ponchatoula, Louisiana  
Notes to Financial Statements  
June 30, 2004

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City of Ponchatoula, Louisiana  
Notes to Financial Statements  
June 30, 2004

**Narrative Profile**

The City of Ponchatoula, Louisiana (the "City") was first 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 council member is elected from a separate district in the City and serves 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 of Ponchatoula, Louisiana 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 of Ponchatoula, Louisiana according to the most recent census taken in 2000 is 5,180. The current number of commercial and residential utility customers served is 2,361. 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 35 miles of roads and streets. The City has 53 full-time employees.

The accounting and reporting policies of the City of Ponchatoula, Louisiana 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 Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority, and authority to issue debt. Certain units of local government over which the City exercises no oversight responsibility, such as the parish council, parish school board, other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements.

These units of government are considered separate reporting entities and issue financial statements separate from those of the City.



City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

*Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

*Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

*Schedule of Net Assets* – The Schedule of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Schedule of Net Assets and will report depreciation expense – the cost of "using up" capital assets – in the Schedule of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Schedule of Program Activities* – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

*Budgetary Comparison Schedules* – 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 operating 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 original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units.

B. Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund types (the total of all funds of a particular type). In the new reporting model, the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. These funds are normally budgeted in this manner. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements, by type (private purpose or agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and / or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

*Governmental Funds*

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

**General Fund** – The General Fund is the general operating fund of the City. This fund is used to account for 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. A part of the General Fund's revenues is transferred to other funds.

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The 1965 Sales Tax Fund, 1982 Sales Tax Fund, Fireman Pay Millage Fund, Policeman Pay Millage Fund, and Equipment Millage Fund are considered major funds for reporting purposes. The Mausoleum Trust Fund, 1997 LCDBG Economic Development Fund, and FY 2002 LCDBG Housing Rehabilitation Fund are considered nonmajor funds for reporting purposes.

**Debt Service Funds** – Debt Service Funds account for resources set aside to pay interest and principal on long-term debt. The FY 1998 Sales Tax Sinking Fund, FY 1994 Series ST Bond Sinking Fund, and FY 1994 Series ST Bond Reserve Fund are considered nonmajor funds for reporting purposes.

**Capital Projects Fund** – Capital Projects Funds are used to account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary or nonexpendable trust funds. Both the FY 1998 Capital Projects Fund and the FY 1995 Capital Projects Fund are considered nonmajor funds for reporting purposes.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

*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 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 dedication. In accordance with Governmental Accounting Standards Board (GASB Statement No. 20), the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

Enterprise Funds or Business 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 or recovered 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.

*Fiduciary Funds*

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds include:

Nonexpendable Trust Fund – The Nonexpendable Trust Fund (Cemetery Endowment Fund) is used to account for assets held by the City in a trustee capacity. The Nonexpendable Trust Fund is accounted for in essentially the same manner as a proprietary fund since capital maintenance is critical. Fiduciary funds are not included in the government-wide statements.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General, Special Revenue, Debt Service, and Capital Projects 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. Long-term 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 current assets.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

The government-wide statements of net assets and statements of activities, all proprietary funds, and private purpose trust 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 fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenues, Capital Projects, Debt Service, and Agency funds are maintained and reported on the modified accrued 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.

The statements of net assets, statements of activities, financial statements of the Proprietary Funds and Fiduciary Funds (except for agency 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.

D. Budgets and Budgetary Accounting

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

1. The Finance Manager / City Clerk prepares a proposed budget and submits this budget to the Mayor and City Council no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the year ended June 30, 2004 was submitted to the City Council on June 12, 2003.
2. 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. The proposed budget for the year ended June 30, 2004 was published on June 18, 2003.
3. 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, 2004 on June 30, 2003.
4. 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

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

being adopted. The proposed budget for the year ended June 30, 2004 was adopted as Ordinance No. 589 on June 30, 2003.

5. 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, 2004, was amended on December 29, 2003 by Ordinance No. 595, and on May 21, 2004 by Ordinance No. 597.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with *generally accepted accounting principles (GAAP)*. Budgeted amounts are as originally adopted, or as amended by the City Council.
7. 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 expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

E. Cash and Investments

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 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. Investments are stated at cost.

The City maintains a cash investment pool (Central Depository Account) that is used primarily by the General Fund and the Water and Sewer Enterprise Funds. Each fund's portion of this cash pool is displayed on the combined balance sheet as cash. Investments are separately held by several of the City's funds.

F. Allowance for Uncollectible Accounts

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

G.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

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 other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables / payables.

H. Advances to Other Funds

The noncurrent portion of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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, 2004, as the amount is not material.

J. Restricted Assets

*Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Applicable bond covenants include adequacy of (1) sewer rates and coverage requirements; (2) annual review of user fees; (3) records, accounts and annual audit requirement; (4) insurance and fidelity bonds; and (5) various miscellaneous covenants regarding appointment of engineer, utilization of funds and other provisions.*

K. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects 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. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2004 was immaterial. Depreciation is recorded on general fixed assets on a government-wide basis. 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 funds 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. Of the \$5,685,638 in retroactive infrastructure capitalized at June 30, 2001, the entire amount was estimated

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

using current replacement cost for a similar asset and deflating this cost through the use of 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.

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.

L. Compensated Absences

The City's policy is to allow employees' vacation pay based on employee classification and length of service. Sick leave is provided for by the City but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the City's service.

The current portions of the governmental funds' compensated absences liabilities are recorded as other liabilities in the General and Special Revenue Funds and the Enterprise Funds. The current and noncurrent portions are recorded in the government-wide financial statements.

M. Long-Term Obligations

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

N. Fund Equity

Equity Classifications

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

2. Restricted net assets – Consists of net assets with constraints placed on the use either by:
  - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - b. Law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 19 for additional disclosures.

O. 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.

P. Sales and Use Taxes

1. 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, garbage collection equipment and facilities, and the payment of salaries of certain municipal employees. There is no expiration date on this sales and use tax.
2. 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.

The City, through its governing authority, adopted a resolution on February 9, 1995, authorizing the issuance of \$1,725,000 of Public Improvement Bonds and entered into certain covenants in connection with the security and payment of said bonds. In that resolution, the proceeds of the 1982 1% sales and use tax were irrevocably and irrepealably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. On August 14, 2003, the City, through its governing authority, adopted Ordinance No. 591 issuing \$617,000 Sales Tax Refunding Bonds, Series 2003, to

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

refund the original Public Improvement Bonds. Proceeds from the 1982 sales and use tax remain pledged for the security of the Sales Tax Refunding Bonds, Series 2003, until paid in full in 2009.

The sales tax is collected by the Tangipahoa Parish School Board and remitted to the City in the month following the receipt by the School Board. The School Board receives the sales tax approximately one month after collection by vendors. Sales taxes collected by the School Board in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Accounts Receivable."

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 except the FY 1997 LCDBG Economic Development Fund and the FY 2002 LCDBG Housing Rehabilitation Fund, which were not budgeted. All annual appropriations lapse at fiscal year end. See Note 3 regarding operating budgets.

The City was in compliance with the Local Budget Act except for the LCDBG grants referred to above.

See Note 1-D for the procedures the City of Ponchatoula, Louisiana follows regarding budgets and budgetary accounting.

B. Deposits and 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 4 regarding cash, cash equivalents, and investments, the City was in compliance with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2004, no City funds had deficit fund equities.

D.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

Compliance with Bond and Certificate of Indebtedness Covenants

1. Compliance with Sales Tax Refunding Bond Covenants

As of June 30, 2004, the City was in compliance with all Sales Tax Refunding Bond Covenants. See Note 13 for a further discussion of the Sales Tax Refunding Bond Covenants.

2. Compliance with Sewer Revenue Refunding Bond Covenants

As of June 30, 2004, the City was in compliance with all Sewer Revenue Refunding Bond Covenants. See Note 15 for a further discussion of the Sewer Revenue Refunding Bond Covenants.

3. Compliance with Certificates of Indebtedness Covenants

As of June 30, 2004, the City was in compliance with all Certificates of Indebtedness Covenants. See Note 16 for a further discussion of the Certificates of Indebtedness Covenants.

**3. Operating Budgets**

The City did not adopt an operating budget for the FY 1997 LCDBG Economic Development Fund and the FY 2002 LCDBG Housing Rehabilitation Fund, as required by the local government budget act. Total revenues for these funds for the fiscal year ended June 30, 2004 totaled \$296,966. Total expenditures for these funds for the year ended June 30, 2004 totaled \$296,966.

**4. Cash, Cash Equivalents, and Investments**

The city maintains a cash investment pool (Central Depository Account) that is used primarily by the General Fund and the Water and Sewer Enterprise Funds. Each fund's portion of this cash pool is displayed on the combined balance sheet as cash. Investments are separately held by several of the City's funds.

Cash includes amounts in demand deposits, interest bearing demand deposits, and 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 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 cost.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

Investments held at June 30, 2004 consist of \$955,206 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at June 30, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

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 LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, 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.

As reflected on Exhibit A, the City has restricted and unrestricted cash totaling \$1,630,376 and restricted and unrestricted investments totaling \$1,115,515 at June 30, 2004. Total cash and investments from fiduciary responsibilities not reported on the government-wide financial statements were \$8,978 and \$101,338 respectively. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held by and in the name of the fiscal agent bank but pledged to the City. The following is a summary of cash investments (bank balances) at June 30, 2004, with the related federal deposit insurance and pledged securities:

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

	Confirmed Bank Balances <u>June 30, 2004</u>	FDIC Insurance	Balance Uninsured
Cash:			
Demand Deposits	\$ 55	\$ -	\$ 55
Interest Bearing Demand Deposits	<u>1,664,823</u>	<u>100,000</u>	<u>1,564,823</u>
Total Cash	\$ 1,664,878	\$ 100,000	\$ 1,564,878
Investments:			
LAMP	\$ 955,206	\$ -	\$ -
Paine Webber			
U.S. Government Securities	296,420	-	-
Edward Jones			
U.S. Government Securities	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	\$ 1,251,626	\$ -	\$ -
Uncollateralized - Securities in the Name of and Held by the Fiscal Agent Pledged to the City			<u>\$ 1,927,946</u>
Excess of FDIC Insurance and Pledged Securities over Cash and Investment Bank Balances			<u>\$ 363,068</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

As of June 30, 2004, the City was in compliance with state law which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

The following is a reconciliation of total deposits and investments to the Government-Wide Financial Statements at June 30, 2004:

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Unrestricted cash and investments	\$ 2,321,769	\$ -	\$ 2,321,769
Restricted cash and investments	424,122	-	424,122
Agency fund cash and investments (not included in government-wide statement)	<u>-</u>	<u>110,316</u>	<u>110,316</u>
	<u>\$ 2,745,891</u>	<u>\$ 110,316</u>	<u>\$ 2,856,207</u>
 Total Cash at June 30, 2004			 \$ 1,639,354
Total Investments at June 30, 2004			<u>1,216,853</u>
 Total Cash and Investments			 <u>\$ 2,856,207</u>

**5. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales taxes, franchise taxes, and grants. Business-type activities report utility earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

The following is a summary of receivables for June 30, 2004, net of allowances for uncollectible amounts where applicable:

Class of Receivable	General Fund	Special Revenue Funds	Proprietary Funds	Other Funds
Taxes:				
Ad Valorem	\$ 2,973	\$ -	\$ -	\$ -
Sales and Use	-	363,478	-	-
Other	32,271	-	-	-
Intergovernmental - Grants:				
State	59,437	-	-	-
Other:				
Accounts	28,395	-	88,544	-
Notes	-	49,535	-	-
Other	-	375	-	259
Total	<u>\$ 123,076</u>	<u>\$ 413,388</u>	<u>\$ 88,544</u>	<u>\$ 259</u>

Uncollectible amounts due for Ad Valorem taxes, notes receivable and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The following details the description and amount of the allowance accounts at June 30, 2004.

Class of Receivable	General Fund	Special Revenue Funds	Proprietary Funds	Other Funds
Taxes:				
Ad Valorem	\$ 7,698	\$ -	\$ -	\$ -
Other:				
Accounts	8,400	-	27,400	-
Total	<u>\$ 16,098</u>	<u>\$ -</u>	<u>\$ 27,400</u>	<u>\$ -</u>

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

**6. Capital Assets**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004:

Governmental Activities:	Balance 06/30/03	Increases	Decreases	Balance 06/30/04
<b>Capital Assets Not Depreciated:</b>				
Land and Land Improvements	\$ 268,563	\$ 25,695	\$ -	\$ 294,258
Total Capital Assets Not Being Depreciated	\$ 268,563	\$ 25,695	\$ -	\$ 294,258
<b>Other Capital Assets:</b>				
Buildings	\$ 2,228,531	\$ -	\$ -	\$ 2,228,531
Improvements	1,866,016	-	-	1,866,016
Infrastructure	5,893,960	207,896	-	6,101,856
Computers	88,794	13,296	894	101,196
Vehicles	817,082	119,512	58,989	877,605
Office Equipment	42,922	3,874	1,539	45,257
Furniture & Fixtures	106,189	1,561	3,846	103,904
Machinery & Equipment	209,845	3,755	2,470	211,130
Total Other Capital Assets	\$ 11,253,339	\$ 349,894	\$ 67,738	\$ 11,535,495
<b>Less: Accumulated Depreciation:</b>				
Buildings	\$ 925,910	\$ 55,514	\$ -	\$ 981,424
Improvements	327,803	52,274	-	380,077
Infrastructure	3,271,148	158,734	-	3,429,882
Computers	16,367	15,402	521	31,248
Vehicles	642,834	84,991	56,404	671,421
Office Equipment	32,207	4,747	596	36,358
Furniture and Fixtures	91,196	6,429	2,797	94,828
Machinery and Equipment	129,414	17,582	2,163	144,833
Total Accumulated Depreciation	\$ 5,436,879	\$ 395,673	\$ 62,481	\$ 5,770,071
Other Capital Assets, Net	\$ 5,816,460	\$ (45,779)	\$ 5,257	\$ 5,765,424
Total	\$ 6,085,023	\$ (20,084)	\$ 5,257	\$ 6,059,682



City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

Government activities capital assets net of accumulated depreciation at June 30, 2004 are comprised of the following:

General Capital Assets, Net	\$ 6,059,682
Total	<u>\$ 6,059,682</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 32,670
Public Safety	97,938
Public Works	223,150
Cemetery	84
Culture and Recreation	35,659
Miscellaneous Programs	<u>6,172</u>
Total	<u>\$ 395,673</u>

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2004:

	<u>Balance</u> <u>06/30/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/04</u>
<b>Business-Type Activities:</b>				
Land	\$ 95,423	\$ -	\$ -	\$ 95,423
Buildings	41,907	-	-	41,907
Water Wells, Lines, & Towers	2,511,203	44,352	-	2,555,555
Sewer Lines	4,581,684	106,991	-	4,688,675
Equipment and Vehicles	356,158	11,303	-	367,461
Wastewater Treatment Plant	<u>2,354,263</u>	<u>132,354</u>	-	<u>2,486,617</u>
	\$ 9,940,638	\$ 295,000	\$ -	\$ 10,235,638
<b>Less: Accumulated Depreciation</b>				
Buildings and Equipment	<u>2,844,811</u>	<u>247,792</u>	-	<u>3,092,603</u>
Total	<u>\$ 7,095,827</u>	<u>\$ 47,208</u>	<u>\$ -</u>	<u>\$ 7,143,035</u>

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

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 of the assets as follows:

Buildings	40	Years
Equipment	3 - 20	Years
Infrastructure	25	Years

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government:	
Capital Outlay	\$ 375,589
Depreciation Expense	<u>(395,673)</u>
 Total Adjustment	 <u>\$ (20,084)</u>

**7. Employee Pension Plan**

**A. Louisiana Municipal Employees Retirement System**

The City of Ponchatoula, Louisiana provides pension benefits for all of its full-time employees through a joint contributory, defined contribution plan in the statewide Louisiana Municipal Employees' Retirement System (MERS). The Municipal Employees' Retirement System, State of Louisiana, is the administrator of a cost-sharing, multiple-employer plan.

The Municipal Employees' Retirement System, State of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana, to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System.

The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years of creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on an after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The City elected to become a member of the System on June 27, 1966, and is a member of Plan B. There are presently 65 contributing municipalities in Plan A and 56 in Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System.

Any member of Plan B can retire providing he meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require twenty (20) years of creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. A member is vested after ten (10) years, but he must leave his accumulated contributions in the plan until retirement. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the entities, within the options available in the state statutes governing MERS and within the actuarial constraints also in the statutes.

The contribution rate for employees is 5.00% of earnable compensation and is established by state statute.

The employer contribution rate is 7.75% of members' earnings. The System also receives ¼ of 1% of Ad Valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions; the remaining employer contributions are determined according to actuarial requirements and are set annually.

The City's total payroll in the fiscal year ended June 30, 2004 was \$1,438,838, and the City's contributions were based on a payroll of \$971,341. Both the City and the covered employees made the required contributions, amounting to \$126,529. There were no related party transactions.

*Trend Information*

Contributions required by state statute:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
June 30, 2002	\$ 88,586	100%
June 30, 2003	\$ 104,568	100%
June 30, 2004	\$ 126,529	100%

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

All employees of the City of Ponchatoula, Louisiana are also members of the Social Security System.

**B. Firefighters' Retirement System of Louisiana**

Beginning in August 2000, full-time fire employees of the City of Ponchatoula, Louisiana began participating in the Louisiana Firefighters' Retirement System ("Fire System"), a multiple-employer public employee retirement system. The payroll for employees covered by the Fire System for the year ended June 30, 2004 was \$142,633; the City's total payroll was \$1,438,838.

All City fire employees who participate in the plan shall be eligible for retirement if he has 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3 1/3 percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

requirements that entitle them to regular retirement benefits. The Fire System also provides death and disability benefits. Benefits are established by state statute.

The contribution rate for employees is 8.00% of earnable compensation and is established by state statute.

The employer contribution rate at June 30, 2004 is 21.00% of members' earnings.

The City's total payroll in the fiscal year ended June 30, 2004 was \$1,438,838, and the City's contributions were based on a payroll of \$142,633. Both the City and the covered employees made the required contributions, amounting to \$41,364. There were no related party transactions.

*Trend Information*

Contributions required by state statute:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
June 30, 2002	\$ 28,126	100%
June 30, 2003	\$ 28,716	100%
June 30, 2003	\$ 41,364	100%

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

All employees of the City of Ponchatoula, Louisiana are also members of the Social Security System.

**C. Municipal Police Employees Retirement System of Louisiana**

Beginning in July 2000, full-time police employees of the City of Ponchatoula, Louisiana began participating in the Municipal Police Employees Retirement System ("Police System"), a multiple-employer public employee retirement system. The payroll for employees covered by the Police System for the year ended June 30, 2004 was \$188,040; the City's total payroll was \$1,438,838.

All City police employees who participate in the plan shall be eligible for retirement if he has 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3 1/3 percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned

City of Ponchatoula, Louisiana  
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compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

The contribution rate for employees is 7.50% of earnable compensation and is established by state statute.

The employer contribution rate is 15.25% of members' earnings.

The City's total payroll in the fiscal year ended June 30, 2004 was \$1,438,838, and the City's contributions were based on a payroll of \$188,040. Both the City and the covered employees made the required contributions, amounting to \$42,779. There were no related party transactions.

*Trend Information*

Contributions required by state statute:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
June 30, 2002	\$ 17,205	100%
June 30, 2003	\$ 24,366	100%
June 30, 2003	\$ 42,779	100%

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

All employees of the City of Ponchatoula, Louisiana are also members of the Social Security System.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

**8. Accounts, Salaries, and Other Payables**

The following is a summary of payables at June 30, 2004:

Class of Payable	General Fund	Special Revenue Funds	Proprietary Funds
Accounts	\$ 70,426	\$ 7,987	\$ 11,199
Withholdings	11,020	-	-
Deferred Revenue	-	44,285	-
Other	19,603	-	10,407
<b>Total</b>	<b>\$ 101,049</b>	<b>\$ 52,272</b>	<b>\$ 21,606</b>

**9. Compensated Absences**

At June 30, 2004, employees of the City of Ponchatoula, Louisiana have accumulated and vested \$19,603 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$19,603 is recorded as an obligation of the General Fund. The leave liability accounted for in the Enterprise Funds for employees of the Enterprise Funds is \$-0-.

**10. Capital Lease Obligations**

The City of Ponchatoula, Louisiana records items under capital leases as an asset and obligation in the accompanying financial statements. The following is a schedule of future minimum lease payments under capital leases, with the present value of the minimum lease payments, as of June 30, 2004:

	Backhoe	Police Cars (3)	Police Car	Total
Fiscal Year:				
June 30, 2005	\$ 10,494	\$ 22,929	\$ 7,200	\$ 40,623
June 30, 2006	6,996	22,929	7,200	37,125
Total Minimum Lease Payments	\$ 17,490	\$ 45,858	\$ 14,400	\$ 77,748
Less: Amount Representing Interest	(850)	(3,133)	(1,106)	(5,089)
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 16,640</b>	<b>\$ 42,725</b>	<b>\$ 13,294</b>	<b>\$ 72,659</b>

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Notes to Financial Statements (Continued)  
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**11. Long-Term Debt**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

*Governmental Activities:*

As of June 30, 2004, the governmental long-term debt of the financial reporting entity consisted of the following:

*Capital Lease Obligations:*

\$45,507 Capital Lease Obligation payable to Case Credit dated 05/01/01; Due in 60 monthly installments of \$874.50; With interest at 5.75% (Payable from a pledge of the excess revenues of the General Fund).	\$ 16,640
\$65,654 Capital Lease Obligation payable to Ford Motor Credit dated 10/29/03; Due in 3 annual installments of \$22,928.84; With interest at 4.85% (Payable from a pledge of the excess revenues of the General Fund).	42,725
\$20,494 Capital Lease Obligation payable to Ford Motor Credit dated 05/28/04; Due in 3 annual installments of \$7,200.18; With interest at 5.50% (Payable from a pledge of the excess revenues of the General Fund).	<u>13,294</u>
Total Capital Lease Obligations	<u>\$ 72,659</u>

*Certificates of Indebtedness:*

\$750,000 Certificate of Indebtedness dated October 21, 1998; Due in annual installments of \$60,000 - \$90,000 through September 1, 2008; Interest at 2.90% (Payable from a pledge of the excess revenues of the General Fund).	<u>\$ 415,000</u>
Total Certificates of Indebtedness	<u>\$ 415,000</u>



City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

*Public Improvement Bonds:*

\$617,000 Sales Tax Refunding Bonds dated September 23, 2003; Due in annual installments of \$56,000 - \$122,000 through March 1, 2009; Interest at 2.74% (Payable from a pledge of the City's 1982 1% Sales and Use Tax). \$ 561,000

Total Public Improvement Bonds \$ 561,000

Total Government Activity Debt \$ 1,048,659

As of June 30, 2004, the long-term debt payable from proprietary fund resources consisted of the following:

*Sewer Revenue Bonds:*

\$1,093,000 Series 2003 Sewer Revenue Refunding Bonds dated September 23, 2003, due in annual installments of \$60,000 - \$104,000 through March 1, 2012; Interest rate is 1.70% - 3.80% (Payable from a pledge of the City's sewer revenues). \$ 1,033,000

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

Type of Debt	Balance at July 1, 2003	Leases or Bonds Issued	Bonds Retired and Other Redemptions	Balance at June 30, 2004	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 25,887	\$ 86,148	\$ 39,376	\$ 72,659	\$ 40,623
Public Improvement Bonds	840,000	-	840,000	-	-
Sales Tax Refunding Bonds	-	617,000	56,000	561,000	106,000
Certificate of Indebtedness	490,000	-	75,000	415,000	75,000
<b>Total General</b>					
Long-Term Debt	<u>\$ 1,355,887</u>	<u>\$ 703,148</u>	<u>\$ 1,010,376</u>	<u>\$ 1,048,659</u>	<u>\$ 221,623</u>
<b>Business-Type Activities:</b>					
Sewer Revenue Bonds	\$ 1,345,000	\$ -	\$ 1,345,000	\$ -	\$ -
Sewer Revenue Refunding Bonds	-	1,093,000	60,000	1,033,000	123,000
<b>Total Enterprise Fund Debt</b>	<u>\$ 1,345,000</u>	<u>\$ 1,093,000</u>	<u>\$ 1,405,000</u>	<u>\$ 1,033,000</u>	<u>\$ 123,000</u>

At June 30, 2004, the City of Ponchatoula, Louisiana has accumulated \$49,080 and \$229,197 in the debt service funds for future debt requirements for the Public Improvement Bonds and the

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
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Sewer Revenue Bonds, respectively. The annual requirements to amortize all bonds and / or certificates outstanding at June 30, 2004, including interest of \$264,445 is as follows:

Year Ending Date	Sewer Revenue Bonds	Capital Lease Obligations	Certificate of Indebtedness	Sales Tax Refunding Bonds	Total
June 30, 2005	\$ 154,651	\$ 40,623	\$ 94,630	\$ 121,371	\$ 411,275
June 30, 2006	154,253	37,125	95,600	120,467	407,445
June 30, 2007	154,315	-	96,310	118,508	369,133
June 30, 2008	156,795	-	91,890	122,521	371,206
June 30, 2009	153,775	-	92,340	125,343	371,458
June 30, 2010 - 2012	415,587	-	-	-	415,587
	<u>\$ 1,189,376</u>	<u>\$ 77,748</u>	<u>\$ 470,770</u>	<u>\$ 608,210</u>	<u>\$ 2,346,104</u>
Interest Portion	<u>(156,376)</u>	<u>(5,089)</u>	<u>(55,770)</u>	<u>(47,210)</u>	<u>(264,445)</u>
	<u>\$ 1,033,000</u>	<u>\$ 72,659</u>	<u>\$ 415,000</u>	<u>\$ 561,000</u>	<u>\$ 2,081,659</u>

**12. Dedication of Proceeds and Flow of Funds – Sales and Use Tax**

Proceeds of the 2% sales and use tax levied by the City of Ponchatoula, Louisiana (2004 collections – \$2,002,714) are dedicated to the following purposes:

The bond resolution requires that the proceeds of the special one percent (1%) sales and use tax now being levied and collected by the City is to be deposited with the City's fiscal agent bank in a 1982 Sales Tax Fund. After payment of all reasonable and necessary costs and expenses of collecting the tax, certain monthly payments must be made from the 1982 Sales Tax Fund to the Series 2003 Sales Tax Refunding Bonds, which must be established with the City's fiscal agent bank. The payments into the sinking fund are made in amounts sufficient to pay the principal and interest installments currently and will continue monthly until March 2009, unless the bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

Any monies remaining in the Sales Tax Fund on the 20<sup>th</sup> day of each month after making the required payments into the Series 2003 Sales Tax Refunding Bond Sinking Fund for the current month and for prior months during which the required payments may not have been made, is considered as surplus.

Such surplus may be used by the City for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds herein authorized in advance of their maturities.

The balance in the Sinking Fund at June 30, 2004 was in accordance with the bond covenants.

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Notes to Financial Statements (Continued)  
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**13. Compliance with Sales Tax Refunding Bond Covenants**

The City, through its governing authority, adopted Ordinance No. 591 on August 14, 2003 authorizing the issuance of Sales Tax Refunding Bonds, Series 2003, in an amount not to exceed \$617,000 for refunding of the Sales Tax Bonds, Series 1995. That bond resolution contained certain covenants and agreements in connection with the security and payment of the bonds. The major covenants contained in the bond resolution and the manner in which the City has complied with these covenants is described as follows:

Funds and Accounts – The ordinance requires the City to establish a sinking fund.

As of June 30, 2004, the City was in compliance with this bond covenant.

Other Requirements – The ordinance contains additional covenants regarding collection of tax, legal right to collection of tax, and other miscellaneous provisions.

As of June 30, 2004, the City was in compliance with these other bond covenants in all material respects.

**14. Dedication of Proceeds and Flow of Funds – Sewer Revenues**

The City, through its governing authority, adopted Ordinance No. 592 on August 14, 2003, authorizing the issuance of Sewer Revenue Refunding Bonds, Series 2003, in an amount not to exceed \$1,093,000 for the refunding of the Sewer Revenue Bonds, Series 1991 issued for the acquisition and construction of wastewater treatment facilities. In that ordinance, the revenues of the Sewer System are irrevocably and irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance, certain funds were required to be established to account for the receipt and disbursement of Sewer System revenues. An analysis of these accounts is provided as follows:

Revenue Fund – The ordinance requires that all revenues of the Sewer System shall be deposited daily in a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Revenue Fund." The revenues deposited into the Sewer Revenue Fund shall be expended in the following priority:

Operation and Maintenance Fund – From the Revenue Fund, the City shall pay all reasonable and necessary costs and expenses of the operating and maintaining the Sewer System. The City presently uses the cash pool identified as the Central Depository Account to account for all costs and expenses of maintaining the Sewer System.

Transfers are made from the Revenue Fund to the Central Depository Account in amounts sufficient to cover the costs and expenses of maintaining the Sewer System.

Sinking Fund – After the payment of all reasonable and necessary costs and expenses of maintaining the Sewer System, monies from the Revenue Fund shall be transferred to a

City of Ponchatoula, Louisiana  
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separately identifiable account to be established with the City's fiscal agent bank and designated as the "Sinking Fund" in amounts sufficient to pay promptly and fully the principal of and interest on the bonds as they severally become due and payable. Monies from the Revenue Fund shall be transferred into the Sinking Fund monthly in advance on or before the twentieth (20<sup>th</sup>) day of each month of each year.

The payments will continue monthly until March 2012, unless the bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

Renewal and Replacement Fund – From the Revenue Fund, there shall be transferred monthly on or before the twentieth (20<sup>th</sup>) day of each month of each year to a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Renewal and Replacement Fund" an amount equal to five percent (5%) of the Net Revenues of the Sewer System collected in the prior calendar month until such fund accumulates \$50,000. All monies in the Renewal and Replacement Fund may be used for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions, and improvements to the Sewer System. Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

All monies remaining in the Revenue Fund after all required deposits into the bond funds described herein shall be considered surplus and may be used for the purpose of retiring bonds in advance of their maturity or for any other lawful purpose.

As of June 30, 2004, balances in the Sinking Fund and Renewal and Replacement Fund were in accordance with the bond covenants.

**15. Compliance with Sewer Revenue Refunding Bond Covenants**

The City, through its governing authority, adopted Ordinance No. 592 on August 14, 2003 authorizing the issuance of Sewer Revenue Refunding Bonds, Series 2003 in an amount not to exceed \$1,093,000 for refunding the Sewer Revenue Bonds, Series 1991 issued for the acquisition and construction of wastewater treatment facilities. That ordinance contained certain covenants and agreements in connection with the security and payment of the bonds. The major covenants contained in the ordinance and agreement and the manner in which the City has complied with these covenants is described as follows:

Rate Covenant – In the ordinance, the City covenants to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the Sewer System and to revise the rates whenever necessary as will always provide revenues in each fiscal year sufficient to pay (i) the reasonable and necessary expenses of operation the System, (ii) one hundred fifteen percent (115%) of the required deposits to the Sinking Fund for such fiscal year, (iii) all other payments required for such fiscal year by the bond resolution and loan agreement, and (iv) all other obligation or indebtedness payable out of the revenues for such fiscal year. In connection

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therewith, the City adopted an ordinance which established sewer user classifications, set specific sewer rates, and provided a detailed procedure for annual review and adjustment of sewer rates.

For the fiscal year ended June 30, 2004, the City was in compliance with the rate covenant.

In connection with the rate covenant, the ordinance also contained specific procedures with regards to delinquent sewer customers. The City agreed that the failure of any person to pay the charges for any service rendered by the Sewer System within thirty (30) days of the date on which it is due shall cause such charge to become delinquent and a delinquent charge of ten percent (10%) of the delinquent amount shall be assessed. If a delinquent account is not paid within thirty (30) days of the date of delinquency, the City will shut off water services to the affected premises. All delinquent accounts shall bear interest at the rate of six percent (6%) per annum.

At June 30, 2004, the City was in compliance with this bond covenant.

Records, Accounts, and Audit Requirements – In the ordinance, the City is required to maintain and keep accurate records and accounts for the Sewer System separate and distinct from its other records and accounts. These Sewer System records shall be maintained in accordance with generally accepted government accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2004, the City was in compliance with this bond covenant.

Insurance and Fidelity Bonds – In the ordinance, the City is required to maintain full coverage of insurance on the System. The City is also required to obtain fidelity bonds on all employees in a position of authority or in possession of money derived from the operation of the System.

As of June 30, 2004, the City was in compliance with this bond covenant.

Other Requirements – The ordinance contains additional covenants regarding the utilization of funds, appointment of engineer, and other miscellaneous provisions.

As of June 30, 2004, the City was in compliance with these other bond covenants in all material respects.

**16. Compliance with Certificates of Indebtedness Covenants**

The City, through its governing authority, adopted Ordinance No. 510 on July 23, 1998, authorizing the issuance of Certificates of Indebtedness, Series 1998, in an amount not to exceed \$750,000 for public improvements in the City. That ordinance contained certain covenants and agreements in connection with the security and payment of the certificates. The major covenants contained in the ordinance and the manner in which the City has complied with these covenants is described as follows:

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
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Audit Requirements – In the ordinance the City is required to cause an audit of its records and accounts to be made no later than three (3) months after the close of each fiscal year.

As of June 30, 2004, the City was in compliance with this ordinance covenant as it was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2004.

Sinking Fund – In the ordinance, the City is required to create a special fund to be known as “City of Ponchatoula, State of Louisiana, Certificates of Indebtedness, Series 1998, Sinking Fund” to be used for payment of the principal of and the interest on the certificates. The City is required to deposit in the Sinking Fund at least three (3) days in advance of each interest payment date, funds fully sufficient to promptly pay the maturing principal and / or interest so falling due on such date.

As of June 30, 2004, the City was in compliance with this bond covenant in all material respects.

Other Requirements – The ordinance contains additional covenants regarding the collection of tax, legal right to the collection of tax, and other miscellaneous provisions.

As of June 30, 2004, the City was in compliance with these other ordinance covenants in all material respects.

**17. Interfund Receivables / Payables**

	Due From	Due To
General Fund:		
Water Enterprise Fund	\$ 372	\$ -
Sewer Enterprise Fund	8,938	-
Total General Fund	\$ 9,310	\$ -
Water Enterprise Fund:		
General Fund	\$ -	\$ 372
Total Water Enterprise Fund	\$ -	\$ 372
Sewer Enterprise Fund:		
General Fund	\$ -	\$ 8,938
Total Sewer Enterprise Fund	\$ -	\$ 8,938
Total All Funds	\$ 9,310	\$ 9,310

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

**18. Interfund Transfers**

The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2004:

	Transfer In From	Transfer Out To
<b>General Fund:</b>		
Water Enterprise Fund	\$ 184,000	\$ -
1965 Sales Tax Fund	940,000	-
1982 Sales Tax Fund	805,000	-
Police Millage Fund	181,191	-
Fire Millage Fund	44,262	-
Mausoleum Trust Fund	332	-
1998 Sales Tax Sinking Fund	-	107,128
FY 1998 Capital Projects Fund	6,252	-
Total General Fund	\$ 2,161,037	\$ 107,128
<b>Enterprise Funds:</b>		
General Fund	\$ -	\$ 184,000
Total Enterprise Funds	\$ -	\$ 184,000
<b>Special Revenue Funds:</b>		
General Fund	\$ -	\$ 1,970,785
Series ST 1994 Bond Sinking Fund	-	150,284
Series ST 1994 Bond Reserve Fund	-	2,190
Total Special Revenue Funds	\$ -	\$ 2,123,259
<b>Debt Service Funds:</b>		
General Fund	\$ 107,128	\$ -
1982 Sales Tax Fund	152,474	-
Total Debt Service Funds	\$ 259,602	\$ -
<b>Capital Projects Funds:</b>		
General Fund	\$ -	\$ 6,252
Total Capital Projects Funds	\$ -	\$ 6,252
Total All Funds	\$ 2,420,639	\$ 2,420,639

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

**19. Reserved and Designated Retained Earnings / Fund Balances**

The City records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves and dedications used by the City.

	<u>Balance at June 30, 2004</u>
FY 1998 Sales Tax Sinking Fund	
Reserved for Debt Service	\$ 64,642
FY 1994 Series ST Bond Sinking Fund	
Reserved for Debt Service	49,080
Sewer Enterprise Fund	
Reserved for Revenue Bond Debt Service	95,790
Nonexpendable Trust Fund	
Reserved for Endowment Principal	110,316
Reserved for Cemetery Maintenance	<u>259</u>
	<u>\$ 320,087</u>

**20. Deferred Revenues and Obligations Under Grant Agreement**

On March 19, 1998, the City of Ponchatoula, Louisiana entered into a contract with the State of Louisiana – Division of Administration for a Louisiana Community Development Block Grant funded by the United States Department of Housing and Urban Development in the amount of \$168,000. The purpose of this grant is to provide \$150,000 to provide a long-term permanent financing loan to J & M Industries, Inc. for the purpose of purchasing equipment. The original loan is a maximum of \$150,000 at 6.25% interest, and is to be repaid by J & M Industries, Inc. in 84 monthly installments of \$2,209. As of June 30, 2004, the amount received by J & M Industries, Inc. under this loan agreement totaled \$30,064. Principal payments through June 30, 2004 total \$22,959. The balance of this note outstanding at June 30, 2004 is \$44,285.

Under the terms of the agreement, the City of Ponchatoula, Louisiana is the maker of this note with J & M Industries, Inc. and holds a security interest in all furniture, fixtures, and equipment that are purchased with LCDBG funds. However, the City is required to return to the State of Louisiana – Division of Administration all the principal, interest, or other payments received from J & M Industries, Inc. under the terms of this note. In fact, the contract requires J & M Industries, Inc. to make the note payments directly to the Division of Administration. The City is required by the LCDBG contract to monitor the repayment of these funds and perform other activities in connection with the LCDBG contract. The City of Ponchatoula, Louisiana is contingently liable to the Division of Administration for repayment of this note should J & M Industries, Inc. default on the note and the City not fulfill its obligations under the contract.



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Based on the foregoing information, the deferred revenues at June 30, 2004 are \$44,285, the long-term debt created by this agreement on June 30, 2004 is \$44,285, and the outstanding note receivable from J & M Industries on June 30, 2004 is \$44,285.

**21. 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 except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. The City bills and collects its own property taxes using the assessed values determined by the Tangipahoa Parish Tax Assessor.

The 2003 property tax calendar is as follows:

Levy Date	June 30, 2003
Millage Rates Adopted	June 30, 2003
Tax Bills Mailed	November 21, 2003
Due Date	December 31, 2003
Lien Date	January 1, 2004

State law requires the City to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

All property taxes are recorded in governmental funds, and as explained in Note 1(c), revenues in the governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered available because they are

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substantially collected by the tax collector within 60 days subsequent to year-end and are therefore available to liquidate liabilities of the current period.

For the year ended June 30, 2004, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$26,667,073 and were dedicated as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Levied Taxes</u>	<u>Expiration Date</u>
General Corporate Purposes	6.52	6.52	\$ 173,869	-
Police Millage Fund	6.00	6.00	160,002	2010
Fire Millage Fund	2.00	2.00	53,334	2010
Equipment Millage Fund	<u>2.00</u>	<u>2.00</u>	<u>53,334</u>	2010
	<u>16.52</u>	<u>16.52</u>	<u>\$ 440,539</u>	

Property taxes receivable and estimated uncollectible taxes for the City of Ponchatoula, Louisiana as of June 30, 2004 are as follows:

	<u>Property Tax Receivable</u>	<u>Estimated Uncollectible Property Taxes</u>	<u>Net Property Taxes Receivable</u>
General Fund	\$ 10,671	\$ 7,698	\$ 2,973
Police Millage Fund	-	-	-
Fire Millage Fund	-	-	-
Equipment Millage Fund	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,671</u>	<u>\$ 7,698</u>	<u>\$ 2,973</u>

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

The following are the principal taxpayers for the municipality:

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Homestead Bank	Banking	\$ 943,801	3.54%
Elmer Candy Corporation	Retail	888,568	3.33%
DCA Food Industries, Inc.	Retail	684,471	2.57%
AmSouth Bank	Banking	639,642	2.40%
BellSouth Telecommunications	Utility	599,066	2.25%
First Guaranty Bank	Banking	592,890	2.22%
Hancock Bank of LA	Banking	554,425	2.08%
Gabriel Building Supply Co.	Retail	450,135	1.69%
Gateway Ford, Inc.	Retail	385,626	1.45%
Acadian Cypress	Retail	353,956	1.33%
		<u>\$ 6,092,580</u>	

**22. Federal, State, and Other Governments Financial Assistance**

**A. Grants and Direct Financial Assistance from Other Governmental Units**

Federal and State grant programs represent an important source of funding to finance housing, employment, construction, and social programs that are beneficial to the City. These funds are recorded in the General, Special Revenue, Capital Projects, and Enterprise Funds. Receivables are established when expenditures are incurred. The grants normally specify the purpose for which funds may be used and are audited annually in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept," when applicable.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

For the year ended June 30, 2004, the following amounts under various grants and entitlements are recorded as revenues, subsidies, or additions to contributions in the accompanying financial statements:

	General Fund	Special Revenue Fund	Enterprise Fund	Total
Federal Government:				
Revenue Equalization - PILOT	\$ 6,303	\$ -	\$ -	\$ 6,303
FY 1991 LCDBG				
Economic Development	-	22,959	-	22,959
FY 2002 LCDBG				
Housing Rehabilitation	-	266,902	-	266,902
	<u>\$ 6,303</u>	<u>\$ 289,861</u>	<u>\$ -</u>	<u>\$ 296,164</u>
State of Louisiana:				
Equipment Millage	\$ -	\$ 830	\$ -	\$ 830
Athletic Park Grant	-	-	-	-
Beer Taxes	18,230	-	-	18,230
Rural Development	-	-	53,010	53,010
Seat Belt	671	-	-	671
Law Enforcement Grant	17,697	-	-	17,697
	<u>\$ 36,598</u>	<u>\$ 830</u>	<u>\$ 53,010</u>	<u>\$ 90,438</u>
Tangipahoa Parish Council:				
Fire Insurance Fee	\$ 16,718	\$ -	\$ -	\$ 16,718
	<u>\$ 16,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,718</u>
Tangipahoa Parish Fire District #2:				
Fire Protection Grant	\$ 143,810	\$ -	\$ -	\$ 143,810
	<u>\$ 143,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,810</u>

B. 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*. This standard requires the City to report in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana to certain groups of City employees.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

Supplementary 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 (expense) payments is the actual contribution made by the state. For FY 2004, the state paid supplemental salaries to the following groups of employees of the City: fire and law enforcement employees.

On-behalf payments recorded as revenues and expenditures (expenses) in the FY 2004 financial statements are as follows:

	State Supplemental Salaries
General Fund	
Policeman Supplemental Pay	\$ 56,040
Fireman Supplemental Pay	<u>20,790</u>
Total On-Behalf Payments	<u>\$ 76,830</u>

The City is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

City of Ponchatoula, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004

**23. Segments of Enterprise Activities**

Some services provided by the City of Ponchatoula, Louisiana are financed by user charges – water and sewerage system. The significant financial data for these enterprises are as follows:

	Water System	Sewerage System	Total
Operating Revenues	\$ 281,640	\$ 772,341	\$ 1,053,981
Operating Expenses	\$ 139,379	\$ 400,302	\$ 539,681
Depreciation & Amortization	\$ 69,521	\$ 179,690	\$ 249,211
Operating Income (Loss)	\$ 72,740	\$ 192,349	\$ 265,089
Net Income (Loss)	\$ 85,402	\$ 208,225	\$ 293,627
Transfers	\$ (184,000)	\$ -	\$ (184,000)
Beginning Net Assets	\$ 2,514,803	\$ 4,339,468	\$ 6,854,271
Change in Net Assets	\$ (98,598)	\$ 208,225	\$ 109,627
Ending Net Assets	\$ 2,416,205	\$ 4,547,693	\$ 6,963,898
Working Capital	\$ 578,076	\$ 43,868	\$ 621,944
Property, Plant, & Equipment:			
Additions	\$ 44,687	\$ 250,313	\$ 295,000
Deletions	\$ -	\$ -	\$ -
Total Assets	\$ 2,615,366	\$ 5,608,384	\$ 8,223,750
Obligations Payable	\$ 198,789	\$ 18,753	\$ 217,542
Revenue Bonds Payable	\$ -	\$ 1,033,000	\$ 1,033,000
Equity	\$ 2,416,205	\$ 4,547,693	\$ 6,963,898
Cash Flows:			
Operating Activities	\$ 149,451	\$ 358,747	\$ 508,198
Noncapital Financing Activities	\$ (164,212)	\$ (5,339)	\$ (169,551)
Capital & Related Financing Activities	\$ (44,687)	\$ (564,804)	\$ (609,491)
Investing Activities	\$ 8,457	\$ 222,968	\$ 231,425
Beginning Cash & Cash Equivalents	\$ 265,643	\$ 148,535	\$ 414,178
Ending Cash & Cash Equivalents	\$ 214,652	\$ 160,107	\$ 374,759

**Required Supplemental Information**

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
General Fund  
For the Year Ended June 30, 2004

Schedule 1

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 350,450	\$ 370,640	\$ 369,084	\$ (1,556)
Licenses and Permits	342,250	357,950	393,549	35,599
Intergovernmental	228,720	251,470	280,259	28,789
Fines and Forfeitures	63,900	65,400	81,597	16,197
Sanitation Service Fees	325,000	319,000	322,777	3,777
Miscellaneous	132,200	145,115	64,874	(80,241)
<b>Total Revenues</b>	<b>\$ 1,442,520</b>	<b>\$ 1,509,575</b>	<b>\$ 1,512,140</b>	<b>\$ 2,565</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ 687,743	\$ 698,758	\$ 662,689	\$ 36,069
Public Safety	1,390,574	1,426,790	1,353,440	73,350
Public Works	889,536	948,759	973,733	(24,974)
Cemetery	46,250	46,250	45,951	299
Culture and Recreation	175,601	176,567	173,676	2,891
Community Development	62,433	26,346	25,606	740
Miscellaneous Programs	15,134	65,677	13,451	52,226
Capital Outlay	431,650	453,057	348,034	105,023
<b>Debt Service:</b>				
Principal	25,000	25,060	39,376	(14,316)
Interest	-	-	1,247	(1,247)
<b>Total Expenditures</b>	<b>\$ 3,723,921</b>	<b>\$ 3,867,264</b>	<b>\$ 3,637,203</b>	<b>\$ 230,061</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,281,401)	\$ (2,357,689)	\$ (2,125,063)	\$ 232,626
<b>Other Financial Sources (Uses):</b>				
Transfers In	\$ 2,075,453	\$ 2,176,705	\$ 2,161,037	\$ (15,668)
Transfers Out	(98,530)	(107,130)	(107,128)	2
Sale of Capital Assets	97,075	100,000	105,652	5,652
Proceeds from Capital Leases	125,000	125,000	86,148	(38,852)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (82,403)	\$ (63,114)	\$ 120,646	\$ 183,760
Fund Balance - Beginning of the Year	\$ 458,380	\$ 567,623	\$ 567,623	\$ -
Fund Balance - End of the Year	<u>\$ 375,977</u>	<u>\$ 504,509</u>	<u>\$ 688,269</u>	<u>\$ 183,760</u>

See auditor's report.



City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
1965 Sales Tax Fund  
For the Year Ended June 30, 2004

Schedule 2

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts -</u>	<u>Final Budget</u>
			<u>Budgetary</u>	<u>Favorable /</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Sales Taxes	\$ 910,000	\$ 960,000	\$ 1,001,357	\$ 41,357
Investment Interest	<u>6,500</u>	<u>6,500</u>	<u>6,564</u>	<u>64</u>
Total Revenues	\$ 916,500	\$ 966,500	\$ 1,007,921	\$ 41,421
<b>Expenditures:</b>				
General Government:				
Audit Expense	\$ 500	\$ 500	\$ 500	\$ -
Collection Fees	5,915	6,240	6,509	(269)
Enterprise Zone Refund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 6,415	\$ 6,740	\$ 7,009	\$ (269)
Excess of Revenues over Expenditures	\$ 910,085	\$ 959,760	\$ 1,000,912	\$ 41,152
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out):				
General Fund	\$ (900,000)	\$ (940,000)	\$ (940,000)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (900,000)</u>	<u>\$ (940,000)</u>	<u>\$ (940,000)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 10,085	\$ 19,760	\$ 60,912	\$ 41,152
Fund Balance - Beginning of the Year	<u>\$ 444,485</u>	<u>\$ 455,927</u>	<u>\$ 455,927</u>	<u>\$ -</u>
Fund Balance - End of the Year	<u><u>\$ 454,570</u></u>	<u><u>\$ 475,687</u></u>	<u><u>\$ 516,839</u></u>	<u><u>\$ 41,152</u></u>

See auditor's report.

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
1982 Sales Tax Fund  
For the Year Ended June 30, 2004

Schedule 3

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts -</u>	<u>Final Budget</u>
			<u>Budgetary</u>	<u>Favorable /</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Sales Taxes	\$ 910,000	\$ 960,000	\$ 1,001,357	\$ 41,357
Investment Interest	<u>6,300</u>	<u>6,300</u>	<u>5,757</u>	<u>(543)</u>
<b>Total Revenues</b>	<b>\$ 916,300</b>	<b>\$ 966,300</b>	<b>\$ 1,007,114</b>	<b>\$ 40,814</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Audit Expense	\$ 500	\$ 500	\$ 500	\$ -
Collection Fees	<u>5,915</u>	<u>6,240</u>	<u>6,509</u>	<u>(269)</u>
<b>Total Expenditures</b>	<b>\$ 6,415</b>	<b>\$ 6,740</b>	<b>\$ 7,009</b>	<b>\$ (269)</b>
<b>Excess of Revenues over Expenditures</b>	<b>\$ 909,885</b>	<b>\$ 959,560</b>	<b>\$ 1,000,105</b>	<b>\$ 40,545</b>
<b>Other Financing Sources (Uses):</b>				
<b>Operating Transfers In (Out):</b>				
General Fund	\$ (750,000)	\$ (790,000)	\$ (805,000)	\$ (15,000)
Series ST - 1994 Bond Reserve Fund	-	-	(2,190)	(2,190)
Series ST - 1994 Bond Sinking Fund	<u>(170,000)</u>	<u>(170,000)</u>	<u>(150,284)</u>	<u>19,716</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (920,000)</b>	<b>\$ (960,000)</b>	<b>\$ (957,474)</b>	<b>\$ 2,526</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<b>\$ (10,115)</b>	<b>\$ (440)</b>	<b>\$ 42,631</b>	<b>\$ 43,071</b>
<b>Fund Balance - Beginning of the Year</b>	<b>\$ 433,188</b>	<b>\$ 444,422</b>	<b>\$ 444,422</b>	<b>\$ -</b>
<b>Fund Balance - End of the Year</b>	<b><u>\$ 423,073</u></b>	<b><u>\$ 443,982</u></b>	<b><u>\$ 487,053</u></b>	<b><u>\$ 43,071</u></b>

See auditor's report.

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
Fireman Pay Millage Fund  
For the Year Ended June 30, 2004

Schedule 4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 50,000	\$ 51,700	\$ 53,051	\$ 1,351
Investment Interest	<u>500</u>	<u>500</u>	<u>672</u>	<u>172</u>
Total Revenues	\$ 50,500	\$ 52,200	\$ 53,723	\$ 1,523
<b>Expenditures:</b>				
General Government:				
Audit Expense	\$ 500	\$ 500	\$ 500	\$ -
Miscellaneous Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 500	\$ 500	\$ 500	\$ -
Excess of Revenues over Expenditures	\$ 50,000	\$ 51,700	\$ 53,223	\$ 1,523
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out):				
General Fund	\$ (44,262)	\$ (44,262)	\$ (44,262)	\$ -
Total Other Financing Sources (Uses)	\$ (44,262)	\$ (44,262)	\$ (44,262)	\$ -
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 5,738	\$ 7,438	\$ 8,961	\$ 1,523
Fund Balance - Beginning of the Year	\$ 63,054	\$ 68,792	\$ 62,146	\$ (6,646)
Fund Balance - End of the Year	<u>\$ 68,792</u>	<u>\$ 76,230</u>	<u>\$ 71,107</u>	<u>\$ (5,123)</u>

See auditor's report.

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
Policeman Pay Millage Fund  
For the Year Ended June 30, 2004

Schedule 5

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts -</u>	<u>Final Budget</u>
			<u>Budgetary</u>	<u>Favorable /</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 150,000	\$ 155,750	\$ 159,894	\$ 4,144
Investment Interest	<u>1,750</u>	<u>1,250</u>	<u>1,560</u>	<u>310</u>
Total Revenues	\$ 151,750	\$ 157,000	\$ 161,454	\$ 4,454
<b>Expenditures:</b>				
General Government:				
Audit Expense	\$ 500	\$ 500	\$ 500	\$ -
Total Expenditures	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>
Excess of Revenues over Expenditures	\$ 151,250	\$ 156,500	\$ 160,954	\$ 4,454
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out):				
General Fund	\$ (181,191)	\$ (181,191)	\$ (181,191)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (181,191)</u>	<u>\$ (181,191)</u>	<u>\$ (181,191)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (29,941)	\$ (24,691)	\$ (20,237)	\$ 4,454
Fund Balance - Beginning of the Year	<u>\$ 169,684</u>	<u>\$ 139,743</u>	<u>\$ 169,608</u>	<u>\$ 29,865</u>
Fund Balance - End of the Year	<u>\$ 139,743</u>	<u>\$ 115,052</u>	<u>\$ 149,371</u>	<u>\$ 34,319</u>

See auditor's report.

City of Ponchatoula, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget (GAAP Basis) and Actual  
Equipment Millage Fund  
For the Year Ended June 30, 2004

Schedule 6

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts -</u>	<u>Final Budget</u>
			<u>Budgetary</u>	<u>Favorable /</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 50,000	\$ 51,700	\$ 53,051	\$ 1,351
Electronic Equipment Grant	-	-	830	830
Investment Interest	800	800	841	41
Total Revenues	<u>\$ 50,800</u>	<u>\$ 52,500</u>	<u>\$ 54,722</u>	<u>\$ 2,222</u>
<b>Expenditures:</b>				
General Government:				
Audit Expense	\$ 500	\$ 500	\$ 500	\$ -
Supplies	-	-	11,752	(11,752)
Equipment Repairs	-	-	-	-
Capital Outlay:				
Vehicles	20,000	21,125	-	21,125
Computer Equipment	5,000	15,510	27,555	(12,045)
Total Expenditures	<u>\$ 25,500</u>	<u>\$ 37,135</u>	<u>\$ 39,807</u>	<u>\$ (2,672)</u>
Excess of Revenues over Expenditures	\$ 25,300	\$ 15,365	\$ 14,915	\$ (450)
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out):				
General Fund	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 25,300	\$ 15,365	\$ 14,915	\$ (450)
Fund Balance - Beginning of the Year	<u>\$ 84,382</u>	<u>\$ 109,682</u>	<u>\$ 84,641</u>	<u>\$ (25,041)</u>
Fund Balance - End of the Year	<u><u>\$ 109,682</u></u>	<u><u>\$ 125,047</u></u>	<u><u>\$ 99,556</u></u>	<u><u>\$ (25,491)</u></u>

See auditor's report.

## **Other Supplemental Information**

City of Ponchatoula, Louisiana  
 Combining Balance Sheet  
 Non-Major Governmental Funds -- Summary  
 June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Funds
<b>Assets</b>				
Cash	\$ 72	\$ 113,722	\$ -	\$ 113,794
Investments	34,324	-	-	34,324
Receivables, Net	49,910	-	-	49,910
<b>Total Assets</b>	<b>\$ 84,306</b>	<b>\$ 113,722</b>	<b>\$ -</b>	<b>\$ 198,028</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 5,625	\$ -	\$ -	\$ 5,625
Deferred Revenue	44,285	-	-	44,285
<b>Total Liabilities</b>	<b>\$ 49,910</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,910</b>
<b>Fund Balance</b>				
Reserved for Debt Service	\$ -	\$ 113,722	\$ -	\$ 113,722
Unreserved, Designated	15,607	-	-	15,607
Unreserved, Undesignated	18,789	-	-	18,789
<b>Total Fund Balance</b>	<b>\$ 34,396</b>	<b>\$ 113,722</b>	<b>\$ -</b>	<b>\$ 148,118</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 84,306</b>	<b>\$ 113,722</b>	<b>\$ -</b>	<b>\$ 198,028</b>

See auditor's report.

City of Ponchatoula, Louisiana  
 Combining Balance Sheet  
 Non-Major Governmental Funds – Special Revenue Funds  
 June 30, 2004

	FY 97 LCDBG Economic Development Fund	FY 2002 LCDBG Housing Rehabilitation Fund	Total Special Revenue
<b>Assets</b>			
Cash	\$ 56	\$ 16	\$ 72
Investments	34,324	-	34,324
Receivables, Net	-	44,660	49,910
<b>Total Assets</b>	<b>\$ 34,380</b>	<b>\$ 44,660</b>	<b>\$ 84,306</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ 375	\$ 5,250
Deferred Revenue	-	44,285	44,285
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 44,660</b>	<b>\$ 49,910</b>
<b>Fund Balance</b>			
Unreserved, Designated	\$ 15,607	\$ -	\$ 15,607
Unreserved, Undesignated	18,773	16	18,789
<b>Total Fund Balance</b>	<b>\$ 34,380</b>	<b>\$ 16</b>	<b>\$ 34,396</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 34,380</b>	<b>\$ 44,660</b>	<b>\$ 84,306</b>

See auditor's report.



City of Ponchatoula, Louisiana  
 Combining Balance Sheet

Non-Major Governmental Funds – Debt Service Funds  
 June 30, 2004

	FY 1998 Sales Tax Sinking Fund	FY 2003 Series ST Bond Sinking Fund	FY 1994 Series ST Bond Reserve Fund	Total Debt Service
<b>Assets</b>				
Cash	\$ 64,642	\$ 49,080	\$ -	\$ 113,722
Investments	-	-	-	-
Receivables, Net	-	-	-	-
<b>Total Assets</b>	<b>\$ 64,642</b>	<b>\$ 49,080</b>	<b>\$ -</b>	<b>\$ 113,722</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance</b>				
Reserved for Debt Service	\$ 64,642	\$ 49,080	\$ -	\$ 113,722
<b>Total Fund Balance</b>	<b>\$ 64,642</b>	<b>\$ 49,080</b>	<b>\$ -</b>	<b>\$ 113,722</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 64,642</b>	<b>\$ 49,080</b>	<b>\$ -</b>	<b>\$ 113,722</b>

See auditor's report.

City of Ponchatoula, Louisiana  
 Combining Balance Sheet  
 Non-Major Governmental Funds – Capital Projects Funds  
 June 30, 2004

	FY 1998 Capital Projects Fund	FY 1995 Capital Projects Fund	Total Capital Projects
<b>Assets</b>			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables, Net	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance</b>			
Unreserved, Undesignated	\$ -	\$ -	\$ -
<b>Total Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See auditor's report.

City of Ponchatoula, Louisiana  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-Major Governmental Funds – Summary  
For the Year Ended June 30, 2004

Schedule 8

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Funds
<b>Revenues:</b>				
Grants	\$ 289,861	\$ -	\$ -	\$ 289,861
Investment Interest	7,437	821	3	8,261
Miscellaneous Income	-	-	-	-
Total Revenues	<u>\$ 297,298</u>	<u>\$ 821</u>	<u>\$ 3</u>	<u>\$ 298,122</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ -	\$ 154	\$ -	\$ 154
Community Development	296,966	-	-	296,966
Capital Outlay	-	-	-	-
<b>Debt Service:</b>				
Principal	-	354,000	-	354,000
Interest	-	56,125	-	56,125
Other	-	13,269	-	13,269
Total Expenditures	<u>\$ 296,966</u>	<u>\$ 423,548</u>	<u>\$ -</u>	<u>\$ 720,514</u>
<b>Excess (Deficiency) of</b>				
Revenues over Expenditures	\$ 332	\$ (422,727)	\$ 3	\$ (422,392)
<b>Other Financing Sources (Uses):</b>				
Transfers In	\$ -	\$ 312,494	\$ -	\$ 312,494
Transfers Out	(332)	(52,892)	(6,252)	(59,476)
Total Other Financing Sources (Uses)	<u>\$ (332)</u>	<u>\$ 259,602</u>	<u>\$ (6,252)</u>	<u>\$ 253,018</u>
<b>Excess (Deficiency) of Revenues over</b>				
Expenditures and Other Uses	\$ -	\$ (163,125)	\$ (6,249)	\$ (169,374)
Fund Balance - Beginning of the Year	<u>\$ 34,396</u>	<u>\$ 276,847</u>	<u>\$ 6,249</u>	<u>\$ 317,492</u>
Fund Balance - End of the Year	<u>\$ 34,396</u>	<u>\$ 113,722</u>	<u>\$ -</u>	<u>\$ 148,118</u>

See auditor's report.

City of Ponchatoula, Louisiana Schedule 8-A  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-Major Governmental Funds – Special Revenue Funds  
 For the Year Ended June 30, 2004

	Mausoleum Trust Fund	FY 1997 LCDBG Economic Development Fund	FY 2002 LCDBG Housing Rehabilitation Fund	Total Special Revenue
<b>Revenues:</b>				
Grants	\$ -	\$ 22,959	\$ 266,902	\$ 289,861
Investment Interest	332	7,105	-	7,437
Miscellaneous Income	-	-	-	-
<b>Total Revenues</b>	<b>\$ 332</b>	<b>\$ 30,064</b>	<b>\$ 266,902</b>	<b>\$ 297,298</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	\$ -	\$ -	\$ -	\$ -
Community Development	-	30,064	266,902	296,966
Capital Outlay	-	-	-	-
<b>Debt Service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 30,064</b>	<b>\$ 266,902</b>	<b>\$ 296,966</b>
<b>Excess (Deficiency) of</b>				
Revenues over Expenditures	\$ 332	\$ -	\$ -	\$ 332
<b>Other Financing Sources (Uses):</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(332)	-	-	(332)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (332)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (332)</b>
<b>Excess (Deficiency) of Revenues over</b>				
Expenditures and Other Uses	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance - Beginning of the Year</b>	<b>\$ 34,380</b>	<b>\$ -</b>	<b>\$ 16</b>	<b>\$ 34,396</b>
<b>Fund Balance - End of the Year</b>	<b>\$ 34,380</b>	<b>\$ -</b>	<b>\$ 16</b>	<b>\$ 34,396</b>

See auditor's report.

City of Ponchatoula, Louisiana Schedule 8-B  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-Major Governmental Funds – Debt Service Funds  
 For the Year Ended June 30, 2004

	<u>FY 1998</u>	<u>FY 2003</u>	<u>FY 1994</u>	<u>Total</u>
	Sales Tax	Series ST	Series ST	Debt
	Sinking Fund	Bond Sinking	Bond Reserve	Service
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>				
Grants	\$ -	\$ -	\$ -	\$ -
Investment Interest	525	296	-	821
Miscellaneous Income	-	-	-	-
Total Revenues	<u>\$ 525</u>	<u>\$ 296</u>	<u>\$ -</u>	<u>\$ 821</u>
<b>Expenditures:</b>				
Current:				
General Government	\$ -	\$ -	\$ 154	\$ 154
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	75,000	56,000	223,000	354,000
Interest	16,879	39,246	-	56,125
Other	3,000	10,269	-	13,269
Total Expenditures	<u>\$ 94,879</u>	<u>\$ 105,515</u>	<u>\$ 223,154</u>	<u>\$ 423,548</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (94,354)	\$ (105,219)	\$ (223,154)	\$ (422,727)
<b>Other Financing Sources (Uses):</b>				
Transfers In	\$ 107,128	\$ 150,284	\$ 55,082	\$ 312,494
Transfers Out	-	(52,892)	-	(52,892)
Total Other Financing Sources (Uses)	<u>\$ 107,128</u>	<u>\$ 97,392</u>	<u>\$ 55,082</u>	<u>\$ 259,602</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$ 12,774	\$ (7,827)	\$ (168,072)	\$ (163,125)
Fund Balance - Beginning of the Year	<u>\$ 51,868</u>	<u>\$ 56,907</u>	<u>\$ 168,072</u>	<u>\$ 276,847</u>
Fund Balance - End of the Year	<u>\$ 64,642</u>	<u>\$ 49,080</u>	<u>\$ -</u>	<u>\$ 113,722</u>

See auditor's report.

City of Ponchatoula, Louisiana  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-Major Governmental Funds – Capital Projects Funds  
 For the Year Ended June 30, 2004

Schedule 8-C

	<u>FY 1998</u>	<u>FY 1995</u>	<u>Total</u>
	<u>Capital</u>	<u>Capital</u>	<u>Capital</u>
	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>
	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>
<b>Revenues:</b>			
Grants	\$ -	\$ -	\$ -
Investment Interest	3	-	3
Miscellaneous Income	-	-	-
Total Revenues	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>
<b>Expenditures:</b>			
Current:			
General Government	\$ -	\$ -	\$ -
Community Development	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 3	\$ -	\$ 3
<b>Other Financing Sources (Uses):</b>			
Transfers In	\$ -	\$ -	\$ -
Transfers Out	<u>(6,252)</u>	<u>-</u>	<u>(6,252)</u>
Total Other Financing Sources (Uses)	<u>\$ (6,252)</u>	<u>\$ -</u>	<u>\$ (6,252)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$ (6,249)	\$ -	\$ (6,249)
Fund Balance - Beginning of the Year	<u>\$ 6,249</u>	<u>\$ -</u>	<u>\$ 6,249</u>
Fund Balance - End of the Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See auditor's report.

**Schedule of Compensation Paid Elected Officials**

City of Ponchatoula, Louisiana  
 Schedule of Compensation Paid Elected Officials  
 June 30, 2004

Schedule 9

Name and Address	Position	Term of Office	Salary
Julian E. Dufreche 125 Woodhaven Drive Ponchatoula, LA 70454 (985) 386-6281	Mayor	July 1, 2000 - June 30, 2004	\$ 46,800
Timothy J. Gideon 575 East Pine Ponchatoula, LA 70454 (985) 386-2152	Police Chief	July 1, 2000 - June 30, 2004	43,454
C.W. Kinchen 248 West Hickory Ponchatoula, LA 70454 (985) 386-6275	City Council District A	July 1, 2000 - June 30, 2004	6,000
Wayne Foster 245 North Baronne Street Ponchatoula, LA 70454 (985) 386-3402	City Council District B	July 1, 2000 - June 30, 2004	6,000
Margaret Hawkins 225 West Oak Street Ponchatoula, LA 70454 (985) 386-8000	City Council District C	July 1, 2000 - June 30, 2004	6,000
Elouise Conley-Dotey 245 President Hoover Street Ponchatoula, LA 70454 (985) 386-2228	City Council District D	July 1, 2000 - June 30, 2004	6,000
Gary Stanga 175 West Highland Road Ponchatoula, LA 70454 (985) 386-3742	City Council District E	July 1, 2000 - June 30, 2004	6,000
			<u>\$ 120,254</u>

See auditor's report.



**Schedule of Insurance Coverage in Force (Unaudited)**

City of Ponchatoula, Louisiana  
Schedule of Insurance Coverage in Force (Unaudited)  
June 30, 2004

Schedule 10

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
LA Municipal Risk Management Agency	Automobile Liability Bodily Injury / Physical Damage	\$ 500,000	05/01/06
LA Municipal Risk Management Agency	Commercial General Liability Premises / Operations	\$ 500,000	05/01/06
	Products / Completed Operations	\$ 500,000	05/01/06
	Medical Payments		
	Per Person	\$ 1,000	05/01/06
	Per Occurrence	\$ 10,000	05/01/06
	Fire Legal Liability		
	Per Occurrence	\$ 50,000	05/01/06
LA Municipal Risk Management Agency	Police Officers' Comprehensive Liability Personal Injury / Physical Damage	\$ 500,000	05/01/05
LA Municipal Risk Management Agency	Public Officials Errors and Omissions	\$ 500,000	05/01/05
LA Municipal Risk Management Agency	Workmen's Compensation Bodily Injury by Accident	\$ 100,000	01/01/05
	Bodily Injury by Disease		
	Policy Limit	\$ 500,000	01/01/05
	Per Person	\$ 100,000	01/01/05
American International South Insurance Co.	Ponchatoula Collinswood Museum Damages to Premises	\$ 40,000	08/03/04
	Medical Expense Limit		
	Per Person	\$ 5,000	08/03/04
	Personal & Advertising Injury Limit	\$ 300,000	08/03/04
	Each Occurrence Limit	\$ 300,000	08/03/04
	General Aggregate Limit	\$ 600,000	08/03/04
Commercial Union	Automobile Policy Comprehensive and Collision	\$ -	07/12/04

(Continued)

City of Ponchatoula, Louisiana  
Schedule of Insurance Coverage in Force (Unaudited)  
June 30, 2004

Schedule 11  
(Continued)

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Commercial Union	Commercial Policy		
	Fire / Police Station - Building	\$ 396,400	07/12/04
	Fire / Police Station - Contents	\$ 41,200	07/12/04
	Fire Station #2 - Building	\$ 163,600	07/12/04
	Fire Station #2 - Contents	\$ 7,700	07/12/04
	Police Annex - Building	\$ 125,900	07/12/04
	Police Annex - Contents	\$ 13,000	07/12/04
	Community Center - Building	\$ 1,407,000	07/12/04
	Community Center - Contents	\$ 65,100	07/12/04
	Mausoleum Building	\$ 132,000	07/12/04
	Storage / Meeting Room - Building	\$ 37,382	07/12/04
	Storage / Meeting Room - Contents	\$ 10,000	07/12/04
	Equipment Building	\$ 104,732	07/12/04
	Water Treatment Plant - Building	\$ 30,629	07/12/04
	Water Treatment Plant - Equipment	\$ 117,900	07/12/04
	Flat Car / Comb. Storage - Building	\$ 9,017	07/12/04
	Flat Car / Comb. Storage - Contents	\$ 29,400	07/12/04
	City Hall - Building	\$ 666,329	07/12/04
	City Hall - Contents	\$ 44,700	07/12/04
	City Hall - Storage	\$ 32,200	07/12/04
	Information Center / Chamber of Commerce	\$ 16,100	07/12/04
	Tourist Restroom	\$ 79,500	07/12/04
	1976 Sewer Cleaner #A131117	\$ 10,394	07/12/04
	1986 Case Backhoe #8973738	\$ 19,360	07/12/04
	1986 J.D. Tractor #CH08505020474	\$ 5,700	07/12/04
	1986 J.D. Tractor W / Disc #7003 / #3894	\$ 2,257	07/12/04
	1984 Intl Tractor #B6000009B005745-X	\$ 16,000	07/12/04
Reliastar Life Insurance Company	Accident and Health Ponchatoula Civil Defense		
	Accidental Death & Dismemberment	\$ 4,000	07/12/04
	Medical and / or Dental Limit	\$ 1,000	07/12/04

(Continued)

City of Ponchatoula, Louisiana  
 Schedule of Insurance Coverage in Force (Unaudited)  
 June 30, 2004

Schedule 11  
 (Continued)

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Commercial Union	Employee Fidelity Bonds		
	Julian Dufreche, Mayor	\$ 40,000	07/12/04
	C.W. Kinchen, Mayor Pro-Tem	\$ 40,000	07/12/04
	Elizabeth LeSaicherre, Finance Manager	\$ 40,000	07/12/04
	Ramona Umbach, Tax Collector	\$ 40,000	07/12/04
	Stella Kraemer, Utility Billing Clerk	\$ 20,000	07/12/04
	Donna Hill, Front Office Clerk	\$ 20,000	07/12/04
	Audrey Henderson, Office Associate	\$ 20,000	07/12/04
	Sue Davis, Clerk of Court	\$ 20,000	07/12/04

See auditor's report.

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

**Independent Auditor's Report on Compliance and on  
Internal Control over Financial Reporting Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

November 9, 2004

Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

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

We have audited the financial statements of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. 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.

## Compliance

As part of obtaining reasonable assurance about whether the City of Ponchatoula's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 03-02 and within the *Corrective Action Plan for Current Year Audit Findings* as Reference Numbers 04-01 through 04-03.

## Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ponchatoula, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Ponchatoula, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the

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

accompanying *Schedule of Prior Year Audit Findings* as Reference Numbers 03-05 through 03-06 and within the *Corrective Action Plan for Current Year Audit Findings* as Reference Numbers 04-04 through 04-07.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, of the reportable conditions described above we believe 04-04 and 04-05 to be material weaknesses.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)



## **Findings and Recommendations**

City of Ponchatoula, Louisiana  
Current Year Audit Findings  
For the Year Ended June 30, 2004

**Findings and Recommendations**

**Compliance**

**04-01 – Violation of Code of Ethics for Public Employees**

During our audit and review of expenditures of the Police Department, we noted the Police Department failed to comply with certain provisions of the code of ethics for public employees contained in state law, (LSA-RS 42:1113). This finding was also noted in our prior year audit report. The requirements of the code of ethics for public employees and the manner in which the Police Department failed to comply are as follows:

**Finding:**

State law, (LSA-RS 39:1113) prohibits contractual arrangements between the public entity and public employees and their immediate families. A salesman for a company that sells products to the Police Department is married to an employee working in the Police Department in violation of state law. A staff attorney with the Louisiana Board of Ethics that we contacted regarding this matter indicated that the husband of the Police Department employee may sell to other departments of the City as long as the products are not used by the Police Department and the invoice is not subject to the review and approval of the Police Chief.

**Recommendation:**

We recommend the City adopt a written agreement to be signed by all City employees that prohibit any employee or their spouses from conducting business with the City.

**Management's Response:**

Management is currently developing a City-wide Policy and Procedures Manual. One item that will be addressed in this policy is that the City will not make purchases from members of an employees' family. The intent of this policy will be to strictly avoid any ethical conflicts between public employees and vendors.

**04-02 – Lack of Adequate Documentation Substantiating Automobile Allowance**

During our audit and testing of expenditures, we noted that the City failed to comply with the provisions of Treasury Regulation §1.274-5T. The provisions of this regulation and the manner in which the City failed to comply are as follows:

**Finding:**

Treasury regulation §1.274-5T requires *“each of the elements of an expenditure or use must be substantiated to the payor.”* These elements include the amount, time, and business purpose of the expense be documented. We noted that the City paid the former mayor a monthly vehicle allowance in

City of Ponchatoula, Louisiana  
Current Year Audit Findings  
For the Year Ended June 30, 2004

the amount of \$600. We were unable to locate in the files any mileage log or other form of documentation to substantiate the actual business use of the vehicle and the reimbursement rate per mile used to compute the monthly reimbursement amount. The verification necessary to meet the accountable plan substantiation requirements for reimbursement of employee expenses attributable to the use of a vehicle for business purposes are contained in the regulation. Lack of adequate documentation to substantiate the vehicle allowance creates income to the employee that should be included in their gross compensation. We further noted that the City currently pays the mayor and the police chief a monthly vehicle allowance.

Recommendation:

We recommend the City require documentation to substantiate any reimbursement for vehicle allowances. If no documentation is received, we recommend the City include this allowance as additional undocumented income reported on the mayor's W-2.

Management's Response:

Management will develop a log for use by the Mayor and Police Chief that will substantiate the reimbursements for each vehicle's usage. Those logs will be monitored by the City Finance Manager on a periodic basis.

04-03 – Failure to Receive State Bond Commission Approval on Capital Leases

During our audit and testing of capital leases, we noted that the City failed to comply with the provisions of Louisiana Revised Statute RS 39:1410.60. The provisions of this statute and the manner in which the City failed to comply are as follows:

Finding:

Louisiana Revised Statute RS 39:1410.60 states "*No parish, municipality... created under or by the constitution and laws of the state shall have authority to borrow money, incur debt... without the consent and approval of the State Bond Commission.*" Leases that contain non-appropriation and anti-substitution clauses in them are not considered to be long-term debt. However, procedures adopted by the State Bond Commission require that all capital leases including those that properly include non-appropriation and anti-substitution clauses be approved by the State Bond Commission prior to the execution of the lease contract. During the year, the City executed capital leases on several police cars without first receiving approval from the State Bond Commission. Improvement is needed to ensure that the City is in compliance with the regulations of the State Bond Commission concerning long-term leases.

Recommendation:

We recommend the City review the requirements adopted by the State Bond Commission and seek proper approval before entering into any future capital leases.

City of Ponchatoula, Louisiana  
Current Year Audit Findings  
For the Year Ended June 30, 2004

Management's Response:

Management will review the newly adopted requirements relative to leases as adopted by the State Bond Commission and will institute a procedure that will be triggered whenever the City enters into such arrangements.

Internal Control

04-04 – Lack of Adequate Internal Controls for Police Department Cash Receipts

Condition:

During our audit and review of the cash receipts procedures for the Police Department, we noted several internal control conditions involving the collection of cash fines and forfeitures. First, the receipt books used by the Police Department are not reviewed and reconciled by City Hall employees prior to taking custody of the money from the Police Department. When money is brought to City Hall by Police Department employees, reports generated by the Police Department computer system are reconciled against the actual cash. However, neither the computer system reports nor the actual cash are reconciled to the actual receipt books at the Police Station that document receipts taken by Police Department personnel. Second, the Police Department is implementing computerized receipts for fines and forfeitures payments. However, our review of the computerized receipt listing delivered to City Hall by Police Department employees contained several gaps in the numerical sequence of the computer generated transaction numbers. Police Department personnel indicated the gaps in the transaction numbers were transactions that were voided, deleted from the system because of input errors by the operators, or deleted due to other problems with the computer software. This finding was also noted in our prior year audit report.

Recommendation:

We recommend the Mayor, City Clerk, Police Chief, and Clerk of Court meet together with the auditors to develop a set of procedures for recording cash receipts and delivering these receipts to City Hall on a regular basis.

Management's Response:

Management recognized that corrective action relative to this finding had not been addressed in the prior fiscal year. Management has already established procedures for all fines and forfeitures to be paid at City Hall and not the Police Department. This procedure has been in place since September 7, 2004.

City of Ponchatoula, Louisiana  
Current Year Audit Findings  
For the Year Ended June 30, 2004

04-05 – Police Department Receipts Not Deposited Daily

Condition:

During our audit and testing of the cash receipts, we noted that the City has two locations at which money is collected – City Hall and the Police Station. During our review of collections at the Police Station, we noted that a daily deposit of money collected is not made. Police Department personnel told us that the money is brought to City Hall once per week at which time City Hall personnel reconcile the cash available to the receipts issued and a deposit is made. This finding was also noted in our prior year audit report. Improvement is needed in this area to improve internal controls over cash receipts of fines and forfeitures and to comply with state law that requires daily deposits.

Recommendation:

We recommend that the Police Department prepare at the end of each day a written reconciliation form that reconciles total receipts issued in numerical sequence to the cash in drawer. We further recommend that the cash collected each day and this written reconciliation be brought to City Hall at the end of each day for verification and deposit.

Management's Response:

A procedure has already been established that directs all monies collected by the Police Department to be turned in to City Hall on a daily basis. These funds are recorded, reconciled in numerical order, and the appropriate receipts issued.

04-06 – Inadequate Cooperative Endeavor Agreement with Ponchatoula Area Recreation District No. 1

Condition:

During our audit, we noted that the City has a Cooperative Endeavor Agreement with the Ponchatoula Area Recreation District No. 1. This agreement discusses guidelines for how the two entities will share existing facilities and personnel. Due to new requirements for cooperative endeavor agreements issued by the Louisiana Legislative Auditor, we feel as though the current agreement between the City and the Recreation District should be revised to conform to the new requirements. Furthermore, we feel the agreement should be reviewed and appropriate modifications made to more clearly define the responsibilities of each party to the contract.

Recommendation:

We recommend that the City revise the existing Cooperative Endeavor Agreement with the Ponchatoula Area Recreation District No. 1 in order to further define the obligations of both entities. In addition, revising the Cooperative endeavor Agreement will ensure compliance with the updated guidelines set forth by the Louisiana Legislative Auditor.

City of Ponchatoula, Louisiana  
Current Year Audit Findings  
For the Year Ended June 30, 2004

Management's Response:

Management will review its existing Cooperative Agreement with the Ponchatoula Area Recreation District No. 1 to assure compliance with the updated guidelines set forth by the Legislative Auditor. During that review, both entities will redefine their obligations to each other.

04-07 – Transfer of Surplus Funds from Water Enterprise Fund to General Fund

Condition:

During our audit and testing of Water Fund expenditures, we noted that the Water Enterprise Fund transferred \$184,000 of its accumulated surplus to the General Fund to be used for a street overlay project. Although we can find no legal requirement prohibiting these funds from being used in this manner, we feel it is not appropriate to use surplus water revenues subsidizing expenditures of the General Fund. Improvement is needed in this area to ensure an adequate surplus in the Water Enterprise Fund is maintained to provide for repairs and capital improvements that may be needed with the water system.

Recommendation:

We recommend that the City refrain from transferring any surplus accumulated in the Water Enterprise Fund to the General Fund to subsidize expenditures in the General Fund.

Management's Response:

Management recognizes the questionable practice of transferring surpluses from Enterprise Funds to the General Fund for use in other citywide improvements. The City will refrain from this practice in the future.

**Corrective Action Plan for Current Year Audit Findings**

City of Ponchatoula, Louisiana  
 Corrective Action Plan for Current Year Audit Findings  
 For the Year Ended June 30, 2004

<u>Ref. #</u>	<u>Description of Findings</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>Compliance:</u>				
04-01	Violation of code of ethics for public employees	Prohibit City employees or spouses from conducting business with the City	Liz LeSaicherre	12/31/04
04-02	Failure to provide documentation for mayor's vehicle reimbursement	Require documentation be submitted for vehicle reimbursement	Liz LeSaicherre	12/31/04
04-03	Failure to receive State Bond Commission Approval on leases	Review requirements set by State Bond Commission	Liz LeSaicherre	12/31/04
<u>Internal Control:</u>				
04-04	Lack of adequate internal controls for police department cash receipts	City employees meet with auditors to develop procedures	Sue Davis	12/31/04
04-05	Police Department receipts not deposited daily	Prepare reconciliation of cash and bring receipts to City Hall daily	Sue Davis	12/31/04
04-06	Inadequate Cooperative Endeavor Agreement	Revise Cooperative Endeavor Agreement	Robert Zabbia	12/31/04
04-07	Transfer of surplus funds from Water Fund to General Fund	Refrain from transferring surplus funds to subsidize expenditures	Liz LeSaicherre	12/31/04
<u>Management Letter:</u>				
04-08	Unallowable expenditures in the Equipment Millage Fund	Reimburse General Fund for unallowable expenditures	Liz LeSaicherre	12/31/04
04-09	Code of Conduct Policy	Develop code of conduct policy for employees	Liz LeSaicherre	12/31/04

**Note: This schedule has been prepared by the management of the City of Ponchatoula, Louisiana.**



**Summary Schedule of Prior Audit Findings**

City of Ponchatoula, Louisiana  
 Summary Schedule of Prior Audit Findings  
 For the Year Ended June 30, 2004

Reference #	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken
<u>Compliance:</u>				
03-01	June 30, 2003	Compliance with fiscal agency and cash management laws	Yes	Securities analysis worksheets now being prepared on a monthly basis
03-02	June 30, 2003	Violation of code of ethics for public employees	No	Prohibit Police Department from purchasing from external vendor
03-03	June 30, 2003	Violation of public bid law	Yes	Hold work session on bid law requirements and update bid files
<u>Internal Control:</u>				
03-04	June 30, 2003	Computer access to utility billing adjustments	Yes	Access to adjustments now restricted to only authorized personnel
03-05	June 30, 2003	Lack of adequate internal controls for police department cash receipts	No	City employees meet with auditors to develop procedures
03-06	June 30, 2002	Police Department receipts not deposited daily	No	Prepare reconciliation of cash and bring receipts to City Hall daily

*Note: This schedule has been prepared by the management of the City of Ponchatoula, Louisiana.*

## **Management Letter**

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA • AMITE, LA

John N. Durmin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

November 9, 2004

## Management Letter

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

We have audited the basic financial statements of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our report on the financial statements, dated November 9, 2004, and our report on internal control and compliance with laws, regulations, and contracts, dated November 9, 2004.

During the course of our examination, we became aware of the following matters which represent suggestions for improvement in existing policies and procedures.

### 04-08 – Expenditures for Supplies and Maintenance in the Equipment Millage Fund

During our audit and testing of expenditures from the Equipment Millage Special Revenue Fund, we noted that the City failed to comply with the provisions of the original 2.00 mill ad valorem tax approved by the voters in 1990 and renewed in 2000. The provisions of this ad valorem tax and the manner in which the City failed to comply are as follows:

#### Finding:

According to the original tax proposition, the ad valorem tax was dedicated “*for the purpose of purchasing equipment for the Police and Fire Departments of the City.*” Expenditures totaling \$11,751.80 for miscellaneous supplies and for payments on the annual maintenance agreement for the police department criminal software were paid from this fund. In our opinion, these expenditures for supplies and for maintenance agreement payments do not qualify as purchases of equipment and are not allowable expenditures of the Equipment Millage fund. Improvement is needed in this area to make sure that the City complies with the terms of the original tax proposition.

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

Recommendation:

We recommend the City reimburse the Equipment Millage Fund from the General Fund for \$11,751.80, the amount spent on supplies and maintenance agreement payments.

Management's Response:

While Management does not agree that the purchase of software maintenance agreements violates the provisions of the Equipment Millage Special Revenue Fund, it will pay for future maintenance agreements for Police and Fire Department software packages from the General Fund.

04-09 – Policy Regarding Code of Conduct for Employees

Suggestion:

During our audit and testing of expenditures, we noted that the City did not have a comprehensive, written code of conduct, conflicts-of-interest policy, and fraud policy required to be signed by all City employees. We believe a comprehensive, written code of conduct, conflicts-of-interest policy and fraud policy required to be signed by all employees is essential to provide the proper internal control environment in which employees know that inappropriate behavior and overriding of established procedures will not be tolerated, to make employees aware of expected standards of ethical and moral behavior, and to make employees aware of other policies regarding acceptable practices.

Recommendation:

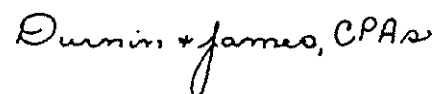
We recommend the City develop a comprehensive, written code of professional conduct policy, conflicts-of-interest policy, and fraud policy to be distributed to and signed by all employees to notify employees that inappropriate behavior and overriding of established procedures will not be tolerated, to make employees aware of expected standards of ethical and moral behavior, and to make employees aware of other policies regarding acceptable practices.

Management's Response:

Management is currently developing a City-wide Policy and Procedures Manual.

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

Respectfully submitted,



Durnin & James, CPAs  
(A Professional Corporation)