

CITY OF HAMMOND, LOUISIANA

ANNUAL FINANCIAL REPORT

June 30, 2017

CITY OF HAMMOND, LOUISIANA

TABLE OF CONTENTS

JUNE 30, 2017

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25-26
Component Unit Financial Statements: Statements of Fiduciary Net Position – Fiduciary Funds	27
Notes to Financial Statements	28-84

CITY OF HAMMOND, LOUISIANA

TABLE OF CONTENTS (Continued)

JUNE 30, 2017

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedules	
General Fund	86
Sales Tax Fund	87
Schedule of Employer’s Proportionate Share of the Net Pension Liability	88
Schedule of Employer’s Pension Contributions.....	89
Schedule of Funding Progress for the City’s OPEB Plan	90
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Compensation Paid to the City Council Members	92
Schedule of Compensation, Benefits and Other Payments to Agency Head.....	93
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94-95
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance.....	96-97
Schedule of Expenditures of Federal Awards.....	98-100
Notes to Schedule of Expenditures of Federal Awards	101
Schedule of Findings and Questioned Costs.....	102-104
Schedule of Prior Year Findings.....	105

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Pete Panepinto, Mayor
Members of the City Council
City of Hammond, Louisiana

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and Schedule of Employer's Proportionate Share of the Net Pension Liability, Schedule of Employer's Pension Contributions, and Schedule of Funding Progress for the City's OPEB Plan, found on pages 4-14 and pages 86, 87, 88, 89 and 90, respectfully, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hammond's basic financial statements. The accompanying schedule of expenditures of federal awards, schedule of compensation paid to city council

members and schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis. The schedule of federal awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

The schedule of expenditures of federal awards, schedule of compensation paid to city council members and schedule of compensation, benefits, and other payments to agency head are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our opinion, the schedule of expenditures of federal awards, schedule of compensation paid to city council members and the schedule of compensation, benefits, and other payments to agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 12, 2017, on our consideration of the City of Hammond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hammond's internal control over financial reporting and compliance.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 12, 2017

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's (the City) financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City's Governmental Activities exceeded the liabilities and deferred inflows at the close of the most recent year by \$27,322,535.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$12,053,617, an increase of \$1,884,081 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,781,813.
- The City's total liabilities in the Statement of Net Position at the end of the current fiscal year were \$61,452,429 in comparison to \$60,208,906 in the prior year.
- The City received \$677,167 in gaming revenue from Video Bingo. The City's General Fund received 100% of the gross proceeds.
- The City's sales tax revenue increased by \$1,874,985 in comparison to the prior year. The City of Hammond collected \$20,925,442 for the year ended June 30, 2017.
- The City's enterprise fund experienced a decrease in net position of \$494,920 in comparison to the prior year.
- The City completed its sewer improvements with the \$5 million low-interest loan through the Clean Water State Revolving Program. The project focused on rehabilitating the sewer system in Old Hammond to correct inflow and infiltration problems, thus ensuring the City's wastewater compliance.
- The downtown parking malls were milled and overlaid with asphalt and new striping to continue the growth and vitality of the downtown area.
- Installation of landscaping, masonry, and fencing for the new roundabouts began along with paint of the I-12 underpass to create a gateway to Hammond.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

- Renovations began of the former Army Reserve building the City received through the Federal surplus program. The building will become the Fire Department's headquarters and training facility. The Fire Department also purchased an Airport Rescue Firefighting Truck to provide better fire protection for airport users and to prepare for future growth.
- Construction began on a \$6 million rehabilitation of the runway intersection at the Hammond Northshore Regional Airport. The project will be completed next year and is the first upgrade to the runway intersection since World War II.
- Phase 3 of a large-scale drainage project at the airport began and will be completed next year. These improvements ensure safe landing and taxiway areas during heavy rainfall periods.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The business-type activities of the City include one enterprise activity – a water and sewer system.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units: The Hammond Downtown Development District, City Court of Hammond, and Marshal of City Court of Hammond. Financial information for the Hammond Downtown Development District is blended with the financial information for the City. Financial information for City Court of Hammond and Marshal of City Court of Hammond is reported separately from the financial information presented for the primary government itself. Complete financial statements of these entities, which include separate MD&A's, can be obtained directly from their respective administrative offices.

The government-wide financial statements can be found on pages 16 - 17 of this report.

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

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

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

The City maintains a variety of funds, which are grouped for management purposes into special revenue, debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Sales Tax Fund, which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

At June 30, 2017, the City's governmental funds reported combined fund balances of \$12,053,617, an increase of \$1,884,081 in comparison with the prior year. Approximately 14.8% of this amount (\$1,781,813) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$386,328) 2) restricted for particular purposes (\$2,595,336), 3) committed for particular purposes (\$6,791,281), or 4) assigned for particular purposes (\$498,859).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,781,813. The Fund balance decreased \$1,340,395. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 7% of total general fund expenditures.

The Sales Tax Fund, a major fund, had a \$1,500,935 increase in fund balance during the current fiscal year which put the overall fund balance at \$2,026,553 as of June 30, 2017. The entire fund balance has been committed for particular purposes by the City.

The Airport Capital Projects Fund, a major fund, had a \$47,466 increase in fund balance during the current fiscal year which put the overall fund balance at \$50,159 as of June 30, 2017. The entire fund balance has been committed for capital projects at the City's Airport.

The Capital Projects Fund, a major fund, had a \$1,515,293 increase in fund balance during the current fiscal year which put the overall fund balance at \$2,428,688 as of June 30, 2017. The entire fund balance has been committed for capital projects within the City.

Proprietary Funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability, worker's compensation self-insurance and health insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

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

Proprietary fund financial statements can be found on pages 23 - 26 of this report.

Notes to Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 84 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, assets and deferred outflows of governmental and business-type activities exceeded liabilities and deferred inflows by \$44,899,095 at the close of the most recent fiscal year.

In accordance with GASB No. 68, the City records the net pension liability of the three retirement plans that service the City. This has caused a deficit unrestricted amount. By far the largest portion of the City's net position reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For more detailed information refer to page 16, Statement of Net Position.

An additional portion of the City of Hammond's net position represents resources that are subject to external restrictions on how they may be used.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

Net Position. The following table reflects condensed information on the City's net position:

City of Hammond, Louisiana
Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Business-Type Activities <u>2017</u>	Business-Type Activities <u>2016</u>	Total <u>2017</u>	Total <u>2016</u>
ASSETS:						
Current and other assets	\$ 16,045,749	\$ 16,308,497	\$ 2,941,926	\$ 3,610,818	\$ 18,987,675	\$ 19,919,315
Land	5,115,805	5,115,805	158,047	158,047	5,273,852	5,273,852
Construction in progress	4,607,661	1,669,652	4,638,715	5,146,360	9,246,376	6,816,012
Capital assets (net of accumulated depreciation)	<u>46,792,171</u>	<u>46,590,864</u>	<u>16,416,823</u>	<u>16,019,054</u>	<u>63,208,994</u>	<u>62,609,918</u>
TOTAL ASSETS	<u>72,561,386</u>	<u>69,684,818</u>	<u>24,155,511</u>	<u>24,934,279</u>	<u>96,716,897</u>	<u>94,619,097</u>
DEFERRED OUTFLOWS OF RESOURCES:						
	<u>10,812,652</u>	<u>7,119,486</u>	<u>439,088</u>	<u>349,560</u>	<u>11,251,740</u>	<u>7,469,046</u>
LIABILITIES:						
Other liabilities	5,301,756	7,821,686	1,852,147	2,965,782	7,153,903	10,787,468
Noncurrent liabilities	<u>49,207,476</u>	<u>45,255,032</u>	<u>5,091,050</u>	<u>4,166,406</u>	<u>54,298,526</u>	<u>49,421,438</u>
TOTAL LIABILITIES	<u>54,509,232</u>	<u>53,076,718</u>	<u>6,943,197</u>	<u>7,132,188</u>	<u>61,452,429</u>	<u>60,208,906</u>
DEFERRED INFLOWS OF RESOURCES:						
	<u>1,542,271</u>	<u>1,952,438</u>	<u>74,842</u>	<u>80,171</u>	<u>1,617,113</u>	<u>2,032,609</u>
NET POSITION:						
Net invested in capital assets	41,157,215	36,388,756	21,213,585	21,323,461	62,370,800	57,712,217
Restricted for:						
Debt service	2,712,441	2,711,725	-	-	2,712,441	2,711,725
Capital Projects	1,243,284	934,298	-	-	1,243,284	934,298
Unrestricted	<u>(17,790,405)</u>	<u>(18,259,631)</u>	<u>(3,637,025)</u>	<u>(3,251,981)</u>	<u>(21,427,430)</u>	<u>(21,511,612)</u>
TOTAL NET POSITION	<u>\$ 27,322,535</u>	<u>\$ 21,775,148</u>	<u>\$ 17,576,560</u>	<u>\$ 18,071,480</u>	<u>\$ 44,899,095</u>	<u>\$ 39,846,628</u>

Capital Assets

There was a net increase in Capital Assets of \$599,076 for the year ended June 30, 2017. This increase is primarily the result of infrastructure improvements.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

Long Term Debt

The following table reflects information on the City's Bonds Payable.

Governmental Funds:

	<u>Balance</u> <u>06/30/2017</u>	<u>Balance</u> <u>06/30/2016</u>
Sales Tax Bonds, Series 2006	\$ -	\$ 755,000
Limited Tax Revenue Bonds, Series 2011	2,565,000	2,950,000
Sales Tax Bonds, Series 2015	<u>10,220,000</u>	<u>10,615,000</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 12,785,000</u>	<u>\$ 14,320,000</u>

At year-end, the City of Hammond had \$12,785,000 in bonds outstanding, which was a decrease of 10.7% over the prior year, as shown in the Table above. More information about the City of Hammond's long term liabilities is provided in notes 9, 10, 11, 19 and 20.

Proprietary Funds:

	<u>Balance</u> <u>06/30/2017</u>	<u>Balance</u> <u>06/30/2016</u>
Revenue Bonds, Series 2013	<u>\$ 3,667,673</u>	<u>\$ 3,051,917</u>
TOTAL PROPRIETARY FUNDS	<u>\$ 3,667,673</u>	<u>\$ 3,051,917</u>

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

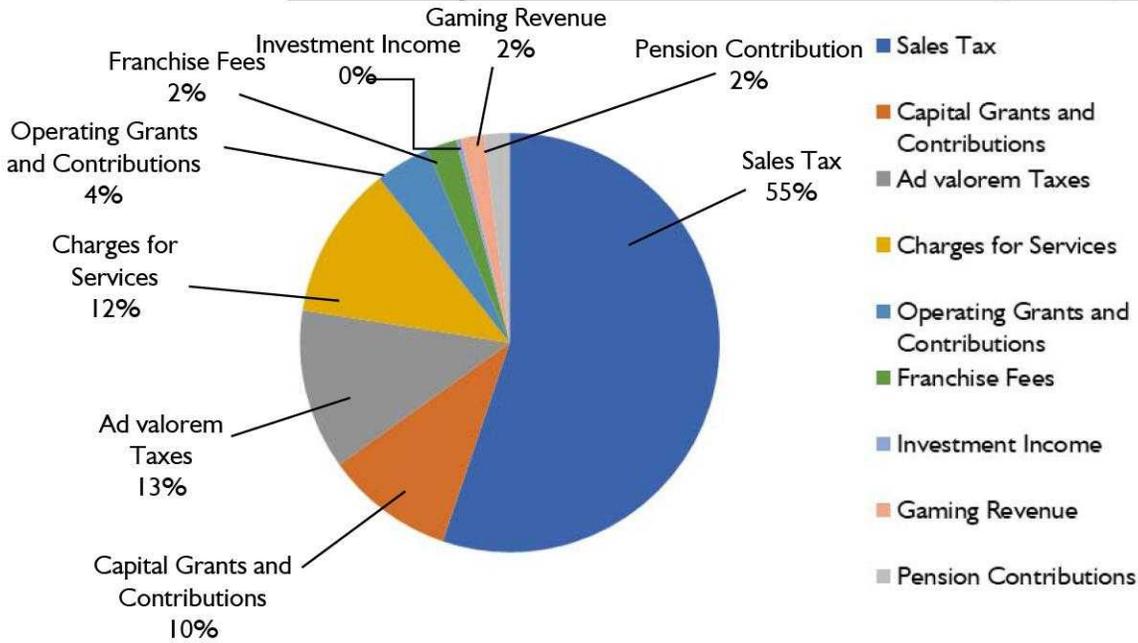
CHANGES IN NET POSITION. The City's total revenues and expenses for governmental and business-type activities are reflected in the following table of condensed information:

City of Hammond, Louisiana
Changes in Net Position

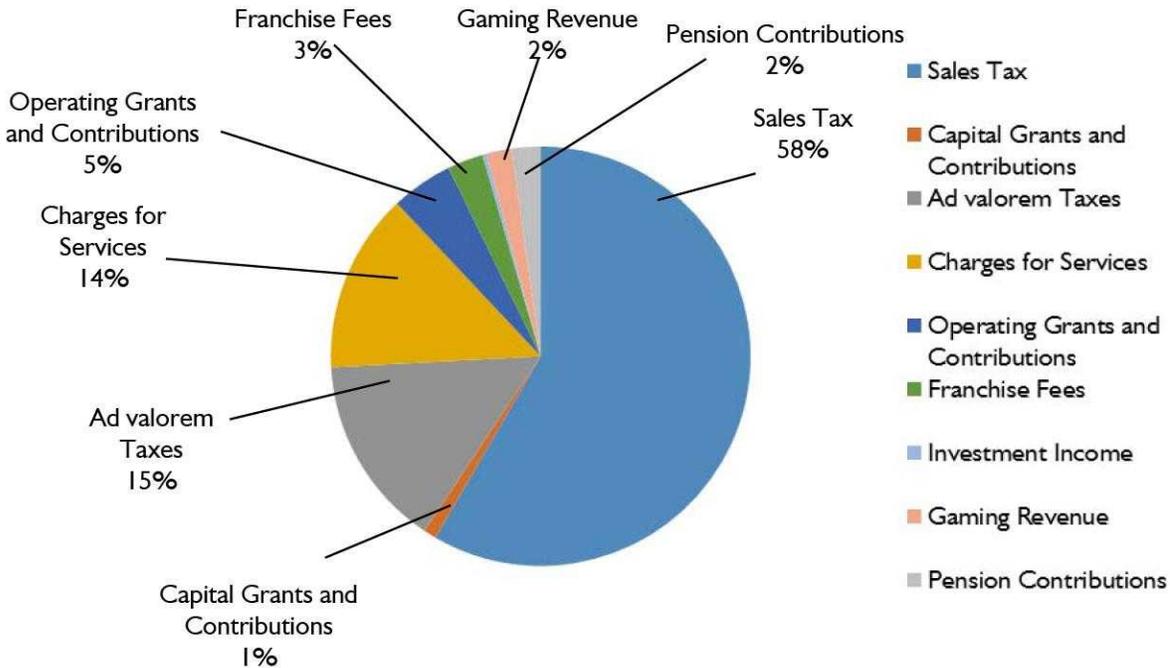
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program revenues:						
Charges for services	\$ 4,484,527	\$ 4,516,132	\$ 4,609,615	\$ 4,420,028	\$ 9,094,142	\$ 8,936,160
Operating grants and contributions	1,612,593	1,555,726	-	-	1,612,593	1,555,726
Capital grants and contributions	3,766,804	326,208	156,453	947,878	3,923,257	1,274,086
General revenues:						
Sales tax	20,925,442	19,050,457	-	-	20,925,442	19,050,457
Ad valorem taxes	4,691,432	4,830,137	-	-	4,691,432	4,830,137
Franchise fees	877,002	901,677	-	-	877,002	901,677
Investment earnings	137,844	101,486	14,596	16,875	152,440	118,361
Gaming revenues	677,167	636,033	-	-	677,167	636,033
Transfers	189,307	401,372	(189,307)	(401,372)	-	-
Gain (loss) on disposal of capital assets	-	410,244	-	(57,229)	-	353,015
Pension contributions from non-employer contributing entities	<u>748,447</u>	<u>724,223</u>	<u>18,094</u>	<u>13,661</u>	<u>766,541</u>	<u>737,884</u>
Total revenues	<u>38,110,565</u>	<u>33,453,695</u>	<u>4,609,451</u>	<u>4,939,841</u>	<u>42,720,016</u>	<u>38,393,536</u>
EXPENSES:						
General government	5,537,222	5,070,198	-	-	5,537,222	5,070,198
Economic development	249,709	287,896	-	-	249,709	287,896
Urban redevelopment	9,971	-	-	-	9,971	-
Public safety - police/fire	17,349,972	16,000,047	-	-	17,349,972	16,000,047
Public works	4,341,939	4,465,735	-	-	4,341,939	4,465,735
Health and sanitation	1,128,177	1,101,963	-	-	1,128,177	1,101,963
Culture and recreation	868,879	898,320	-	-	868,879	898,320
Airport	1,333,197	582,604	-	-	1,333,197	582,604
Cemeteries and municipal grounds	1,309,984	1,285,107	-	-	1,309,984	1,285,107
Water and sewer operating expenses	-	-	5,104,371	4,641,224	5,104,371	4,641,224
Paying agent fees on long-term debt	1,750	1,400	-	-	1,750	1,400
Interest on long-term debt	<u>432,378</u>	<u>444,294</u>	<u>-</u>	<u>-</u>	<u>432,378</u>	<u>444,294</u>
Total expenses	<u>32,563,178</u>	<u>30,137,564</u>	<u>5,104,371</u>	<u>4,641,224</u>	<u>37,667,549</u>	<u>34,778,788</u>
Increase (decrease) in net position	5,547,387	3,316,131	(494,920)	298,617	5,052,467	3,614,748
Net position – beginning of year	<u>21,775,148</u>	<u>18,459,017</u>	<u>18,071,480</u>	<u>17,772,863</u>	<u>39,846,628</u>	<u>36,231,880</u>
Net position - end of year	<u>\$ 27,322,535</u>	<u>\$ 21,775,148</u>	<u>\$ 17,576,560</u>	<u>\$ 18,071,480</u>	<u>\$ 44,899,095</u>	<u>\$ 39,846,628</u>

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
 June 30, 2017

Revenues by Source – Governmental Activities June 30, 2017



Revenues by Source – Governmental Activities June 30, 2016



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
 June 30, 2017

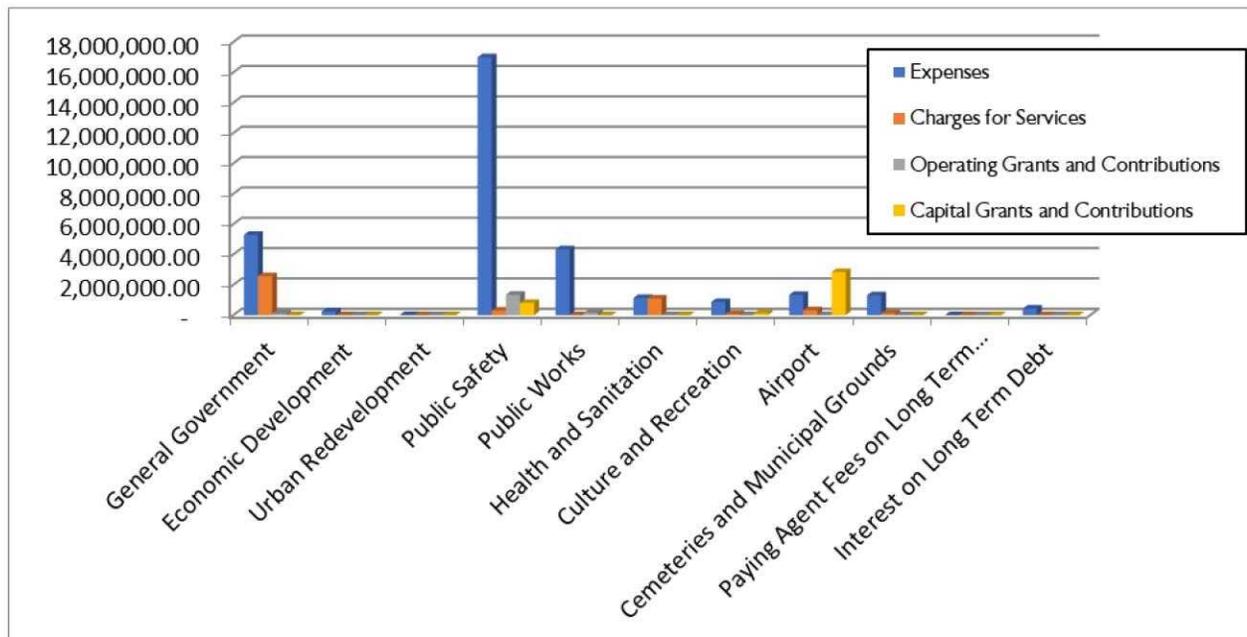
The following chart reflects the City's revenues for the years ended June 30, 2017 and 2016:

Revenues	June 30, 2017	June 30, 2016	Difference
Sales Tax	\$ 20,925,442	\$ 19,050,457	\$ 1,874,985
Capital Grants and Contributions	3,766,804	326,208	3,440,596
Ad valorem Taxes	4,691,432	4,830,137	(138,705)
Charges for Services	4,484,527	4,516,132	(31,605)
Operating Grants and Contributions	1,612,593	1,555,726	56,867
Franchise Fees	877,002	901,677	(24,675)
Investment Income	137,844	101,486	36,358
Gaming Revenue	677,167	636,033	41,134
Gain on disposal of capital assets	-	410,244	(410,244)
Pension Contributions from non-employer contributing entities	<u>748,447</u>	<u>724,223</u>	<u>24,224</u>
Total Revenues	<u>\$ 37,921,258</u>	<u>\$ 33,052,323</u>	<u>\$ 4,868,935</u>

The cost of all governmental activities for the year ended June 30, 2017 was \$32,563,178. The Statement of Activities for the year ended June 30, 2017 on page 17 shows that those who use the services financed \$4,484,527 and \$5,379,397 was financed by grants and contributions with the City's general revenues financing \$28,246,641.

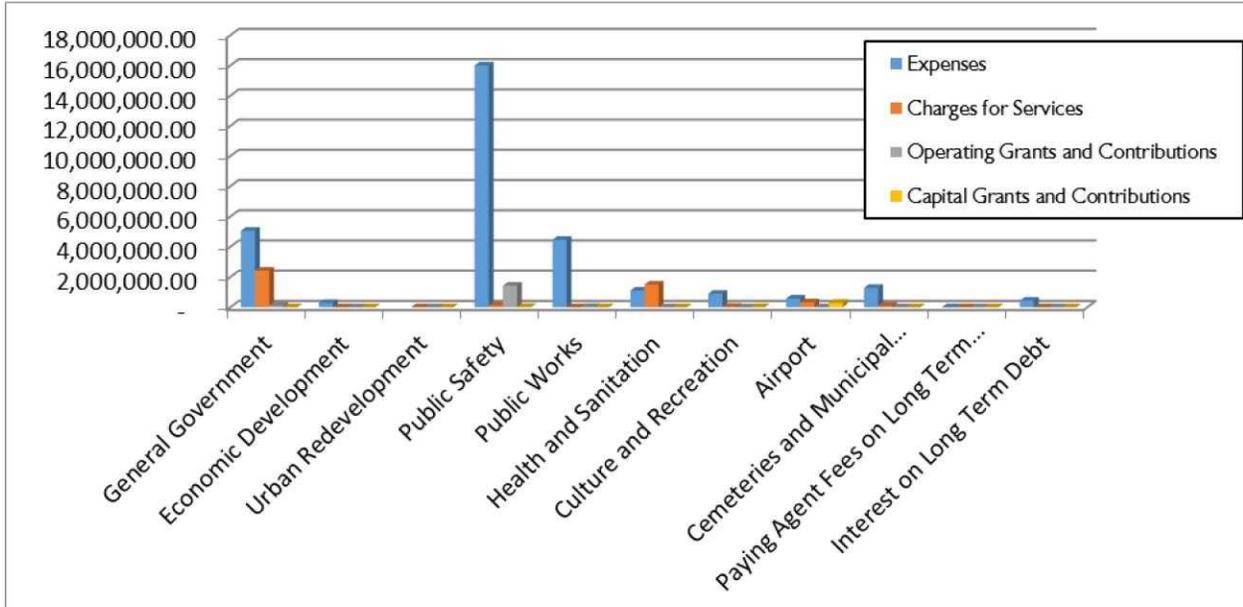
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

**Expenses and Program Revenue – Governmental Activities
 For the Year Ended June 30, 2017**



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2017

Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2016



Request for Information

Questions concerning any financial information provided or request for additional financial information should be addressed to Syeda Naeem, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 277-5624.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF HAMMOND, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
ASSETS					
Cash and cash equivalents	\$ 9,228,488	\$ 926,498	\$ 10,154,986	\$ 192,237	\$ 204,800
Investments at cost	-	-	-	592,060	230,184
Receivables					
Customers (net of allowance for doubtful accounts of \$50,000)	-	734,291	734,291	-	-
Franchise taxes receivable	201,491	-	201,491	-	-
Notes receivable	386,328	-	386,328	-	-
Other receivable	203,551	-	203,551	-	1,574
Prepaid insurance	553,546	-	553,546	-	13,517
Due from other governments	4,659,891	473,304	5,133,195	34,342	33,780
Restricted assets					
Cash and cash equivalents	812,454	807,833	1,620,287	116,436	-
Internal balances	-	-	-	68,124	11,703
Land	5,115,805	158,047	5,273,852	-	-
Construction in progress	4,607,661	4,638,715	9,246,376	-	-
Capital assets (net of accumulated depreciation)	46,792,171	16,416,823	63,208,994	260,092	16,094
TOTAL ASSETS	72,561,386	24,155,511	96,716,897	1,263,291	511,652
DEFERRED OUTFLOWS OF RESOURCES					
Net difference between projected and actual earnings on pension plan investments	6,355,698	279,514	6,635,212	103,609	31,392
Changes in proportion and differences between contributions and proportionate share of contributions	371,135	-	371,135	884	-
Changes in assumptions	1,127,275	44,554	1,171,829	12,378	196,940
Contributions subsequent to the measurement date	2,958,544	115,020	3,073,564	31,579	76,750
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,812,652	439,088	11,251,740	148,450	305,082
LIABILITIES					
Accounts payable	1,486,918	235,962	1,722,880	14,354	16,169
Payroll taxes payable	62,270	-	62,270	-	-
Salaries payable	165,916	-	165,916	28,473	8,434
Claims payable	1,223,522	-	1,223,522	-	-
Due to other governments	-	23,710	23,710	-	-
Interest payable	37,159	-	37,159	-	-
Retainage payable	205,879	-	205,879	-	-
Unearned grant income	-	372,747	372,747	-	-
Other payable	530,092	214,895	744,987	-	2,791
Payable from restricted assets					
Customers' deposits	-	807,833	807,833	-	-
Bonds payable - current portion	1,590,000	197,000	1,787,000	-	-
Noncurrent liabilities					
Other post-employment benefits payable	331,658	38,263	369,921	-	-
Bonds payable	12,370,874	3,470,673	15,841,547	-	-
Other payable	-	-	-	-	1,008
Accumulated leave payable	4,195,153	358,178	4,553,331	63,954	9,058
Net pension liability	32,309,791	1,223,936	33,533,727	103,779	862,361
TOTAL LIABILITIES	54,509,232	6,943,197	61,452,429	210,560	899,821
DEFERRED INFLOWS OF RESOURCES					
Changes in proportion and differences between contributions and proportionate share of contributions	687,576	36,153	723,729	-	111,470
Differences between expected and actual experience	851,449	38,689	890,138	29,622	27,259
Changes in assumptions	3,246	-	3,246	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,542,271	74,842	1,617,113	29,622	138,729
NET POSITION					
Net invested in capital assets	41,157,215	21,213,585	62,370,800	260,092	3,237
Restricted for:					
Debt Service	2,712,441	-	2,712,441	-	-
Capital projects	1,243,284	-	1,243,284	-	-
Judicial building fund	-	-	-	119,823	-
Unrestricted	(17,790,405)	(3,637,025)	(21,427,430)	791,644	(225,053)
TOTAL NET POSITION	\$ 27,322,535	\$ 17,576,560	\$ 44,899,095	\$ 1,171,559	\$ (221,816)

The accompanying notes are an integral part of this statement.

CITY OF HAMMOND, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 5,537,222	\$ 2,569,134	\$ 108,018	\$ -	\$ (2,860,070)	\$ -	\$ (2,860,070)	
Economic development	249,709	-	-	-	(249,709)	-	(249,709)	
Urban redevelopment	9,971	-	-	-	(9,971)	-	(9,971)	
Public safety: police	10,896,809	299,203	602,038	5,752	(9,989,816)	-	(9,989,816)	
Public safety: fire	6,453,163	-	747,090	803,000	(4,903,073)	-	(4,903,073)	
Public works	4,341,939	-	155,447	-	(4,186,492)	-	(4,186,492)	
Health and sanitation	1,128,177	1,103,301	-	-	(24,876)	-	(24,876)	
Culture and recreation	868,879	68,575	-	114,965	(685,339)	-	(685,339)	
Airport	1,333,197	324,749	-	2,843,087	1,834,639	-	1,834,639	
Cemeteries and municipal grounds	1,309,984	119,565	-	-	(1,190,419)	-	(1,190,419)	
Paying agent fees on long-term debt	1,750	-	-	-	(1,750)	-	(1,750)	
Interest on long-term debt	432,378	-	-	-	(432,378)	-	(432,378)	
Total governmental activities	<u>32,563,178</u>	<u>4,484,527</u>	<u>1,612,593</u>	<u>3,766,804</u>	<u>(22,699,254)</u>	<u>-</u>	<u>(22,699,254)</u>	
Business-type activities:								
Water and sewer	<u>5,104,371</u>	<u>4,609,615</u>	<u>-</u>	<u>156,453</u>	<u>-</u>	<u>(338,303)</u>	<u>(338,303)</u>	
Total business-type activities	<u>5,104,371</u>	<u>4,609,615</u>	<u>-</u>	<u>156,453</u>	<u>-</u>	<u>(338,303)</u>	<u>(338,303)</u>	
Total primary government	<u>\$ 37,667,549</u>	<u>\$ 9,094,142</u>	<u>\$ 1,612,593</u>	<u>\$ 3,923,257</u>	<u>(22,699,254)</u>	<u>(338,303)</u>	<u>(22,037,557)</u>	
Component units:								
City Court of Hammond	\$ 1,643,563	\$ 754,209	\$ 834,693	\$ -	-	-	-	\$ (54,661)
Marshall of City Court of Hammond	<u>615,103</u>	<u>93,803</u>	<u>611,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,550</u>
Total component units	<u>\$ 2,258,666</u>	<u>\$ 848,012</u>	<u>\$ 1,446,543</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,889</u>
General revenues:								
Taxes:								
Sales taxes					20,925,442	-	20,925,442	-
Ad valorem taxes, levied for general purposes					3,852,502	-	3,852,502	-
Ad valorem taxes, levied for fire and police					838,930	-	838,930	-
Franchise fees					877,002	-	877,002	-
Gaming revenues					677,167	-	677,167	-
Unrestricted investment earnings					137,844	14,596	152,440	1,845
Transfers					189,307	(189,307)	-	-
Pension contributions from non-employer contributing entities					<u>748,447</u>	<u>18,094</u>	<u>766,541</u>	<u>22,409</u>
Total general revenues and transfers					<u>28,246,641</u>	<u>(156,617)</u>	<u>28,090,024</u>	<u>24,254</u>
Change in net position					5,547,387	(494,920)	5,052,467	60,143
Net position – beginning of year					<u>21,775,148</u>	<u>18,071,480</u>	<u>39,846,628</u>	<u>889,600</u>
Net position – end of year					<u>\$ 27,322,535</u>	<u>\$ 17,576,560</u>	<u>\$ 44,899,095</u>	<u>\$ 949,743</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

CITY OF HAMMOND, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General <u>Fund</u>	Sales Tax <u>Fund</u>	Airport Capital Projects <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS						
Cash and cash equivalents	\$ 737,196	\$ 214,289	\$ 2,288	\$ 2,591,552	\$ 5,368,169	\$ 8,913,494
Franchise taxes receivable	201,491	-	-	-	-	201,491
Due from other funds	1,612,707	-	-	375,000	26,000	2,013,707
Due from other governments	229,723	3,412,264	755,225	173,397	89,282	4,659,891
Other receivables	188,142	-	-	-	15,409	203,551
Notes receivable	-	-	-	-	386,328	386,328
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,969,259	\$ 3,626,553	\$ 757,513	\$ 3,139,949	\$ 5,885,188	\$ 16,378,462
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ 640,834	\$ -	\$ 204,425	\$ 580,188	\$ 55,744	\$ 1,481,191
Due to other funds	-	1,600,000	375,000	-	38,707	2,013,707
Other payables	318,426	-	-	60,823	16,633	395,882
Salaries payable	165,916	-	-	-	-	165,916
Payroll taxes payable	62,270	-	-	-	-	62,270
Retainage payable	-	-	127,929	70,250	7,700	205,879
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	1,187,446	1,600,000	707,354	711,261	118,784	4,324,845
Fund balances:						
Nonspendable amounts						
Not in spendable form	-	-	-	-	386,328	386,328
Restricted	-	-	-	-	2,595,336	2,595,336
Committed	-	2,026,553	50,159	2,428,688	2,285,881	6,791,281
Assigned	-	-	-	-	498,859	498,859
Unassigned	1,781,813	-	-	-	-	1,781,813
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	1,781,813	2,026,553	50,159	2,428,688	5,766,404	12,053,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,969,259	\$ 3,626,553	\$ 757,513	\$ 3,139,949	\$ 5,885,188	\$ 16,378,462

CITY OF HAMMOND, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, Governmental Funds	\$	12,053,617
Capital assets net of accumulated depreciation at June 30, 2017		56,515,637
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(37,159)
Internal service fund's assets and liabilities (governmental activities)		670,343
Other liabilities not recorded in governmental funds		(352,808)
Long term liabilities at June 30, 2017:		
General obligation bonds payable		(13,960,874)
Other post-employment benefits payable		(331,658)
Accumulated leave payable		(4,195,153)
In accordance with Governmental Accounting Standards Board the net pension liability related to the pension plans, deferred outflows of resources and deferred inflows of resources are not recorded in governmental funds.		
Net pension liability		(32,309,791)
Deferred outflows of resources:		
Changes in proportion and difference between contributions and proportionate share of contributions		371,135
Contributions subsequent to the measurement date		2,958,544
Net difference between projected and actual earning on pension plan investments		6,355,698
Change in assumptions		1,127,275
Deferred inflows of resources:		
Changes in proportion and differences between contributions and proportionate share of contributions		(687,576)
Differences between expected and actual experience		(851,449)
Change in assumptions		<u>(3,246)</u>
Net position of governmental activities	\$	<u>27,322,535</u>

The accompanying notes are an integral part of this statement.

CITY OF HAMMOND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Sales Tax Fund	Airport Capital Projects Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 5,303,960	\$ 20,925,442	\$ -	\$ -	\$ 264,474	\$ 26,493,876
Licenses and permits	1,972,160	-	-	-	-	1,972,160
Federal grants	17,340	-	2,228,748	134,517	225,659	2,606,264
State grants	14,331	-	614,339	-	17,000	645,670
Cemeteries and municipal grounds	119,565	-	-	-	-	119,565
Highways and streets	20,930	-	-	-	-	20,930
Public safety						
Police	88,978	-	-	-	-	88,978
Fire	378,506	-	-	-	-	378,506
Gaming revenue	677,167	-	-	-	-	677,167
Fines and forfeitures	335,920	-	-	-	-	335,920
Sanitation service fee	1,103,301	-	-	-	-	1,103,301
Court awards	-	-	-	-	190,918	190,918
State supplemental pay	864,249	-	-	-	-	864,249
Court witness fee	-	-	-	-	19,273	19,273
Department of motor vehicles fee	-	-	-	-	62,892	62,892
Parks and recreation	68,575	-	-	-	-	68,575
Donations	15,117	-	-	-	55,561	70,678
Interest	35,835	30,847	92	6,640	60,815	134,229
Miscellaneous	471,802	-	-	-	41,243	513,045
TOTAL REVENUES	11,487,736	20,956,289	2,843,179	141,157	937,835	36,366,196
EXPENDITURES						
General government	4,436,729	-	-	-	239,092	4,675,821
Public safety						
Police	8,505,310	-	-	-	237,486	8,742,796
Fire	5,380,718	-	-	-	-	5,380,718
Buildings	448,828	-	-	-	-	448,828
Highways and streets	2,001,159	-	-	-	-	2,001,159
Economic development	-	-	-	-	297,488	297,488
Cemeteries and municipal grounds	1,063,424	-	-	-	-	1,063,424
Urban redevelopment	-	-	-	-	9,971	9,971
Sanitation	1,128,177	-	-	-	-	1,128,177
Airport	372,271	-	31,406	-	-	403,677
Parks and recreation	681,664	-	-	-	-	681,664
Capital outlay	107,283	223,546	2,810,547	1,865,713	958,794	5,965,883
Miscellaneous	-	-	426	-	56,739	57,165
Debt Service						
Principal retirement	-	-	-	-	1,535,000	1,535,000
Paying agent fees	-	-	-	-	1,750	1,750
Bond insurance expense	-	-	-	-	18,210	18,210
Interest and charges	-	-	-	-	487,691	487,691
TOTAL EXPENDITURES	24,125,563	223,546	2,842,379	1,865,713	3,842,221	32,899,422
Excess (deficiency) of revenues over expenditures	(12,637,827)	20,732,743	800	(1,724,556)	(2,904,386)	3,466,774
OTHER FINANCING SOURCES (USES)						
Operating transfers in	15,562,347	-	46,666	3,239,849	3,718,866	22,567,728
Operating transfers (out)	(4,264,915)	(19,231,808)	-	-	(653,698)	(24,150,421)
Total other financing sources (uses)	11,297,432	(19,231,808)	46,666	3,239,849	3,065,168	(1,582,693)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,340,395)	1,500,935	47,466	1,515,293	160,782	1,884,081
Fund balances, beginning	3,122,208	525,618	2,693	913,395	5,605,622	10,169,536
Fund balances, ending	\$ 1,781,813	\$ 2,026,553	\$ 50,159	\$ 2,428,688	\$ 5,766,404	\$ 12,053,617

CITY OF HAMMOND, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,884,081
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$6,726,721 exceeded depreciation \$3,587,405 in the current period.</p>	
	3,139,316
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	1,452,772
<p>Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.</p>	
	52,824
<p>In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the change in accrued interest from the prior year.</p>	
	26,915
<p>In accordance with Governmental Accounting Standards Board the net pension liability related to pension plans is not required to be reported in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities:</p>	
Net change in pension expense	(1,347,501)
Contributions from non-employer contributing entities	748,447
<p>Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	<u>(409,467)</u>
Change in Net Position of Governmental Activities	<u>\$ 5,547,387</u>

CITY OF HAMMOND, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
Cash and cash equivalents	\$ 926,498	\$ 1,127,448
Receivables		
Customers (net of allowance for doubtful accounts of \$50,000)	734,291	-
Due from other governments	473,304	-
Prepaid Insurance	-	553,546
Total current assets	<u>2,134,093</u>	<u>1,680,994</u>
RESTRICTED ASSETS		
Customers' deposits		
Cash and cash equivalents	<u>807,833</u>	-
Total restricted assets	<u>807,833</u>	-
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>21,213,585</u>	-
TOTAL ASSETS	<u>24,155,511</u>	<u>1,680,994</u>
DEFERRED OUTFLOWS OF RESOURCES		
Changes in proportion and differences between contributions and Changes in assumptions	44,554	-
Net difference between projected and actual earnings on pension plan investments	279,514	-
Contributions subsequent to the measurement date	<u>115,020</u>	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>439,088</u>	-
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	235,962	5,727
Claims payable	-	854,404
Claims incurred but not reported	-	16,310
Due to other governments	23,710	-
Unavailable grant income	372,747	-
Other payables	<u>214,895</u>	<u>134,210</u>
Total current liabilities (payable from current assets)	<u>847,314</u>	<u>1,010,651</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Customers' deposits	<u>807,833</u>	-
Total current liabilities (payable from restricted assets)	<u>807,833</u>	-
LONG-TERM LIABILITIES		
Other post employment benefits payable	38,263	-
Accumulated leave payable	358,178	-
Bonds payable	3,667,673	-
Net pension liability	<u>1,223,936</u>	-
Total long-term liabilities	<u>5,288,050</u>	-
TOTAL LIABILITIES	<u>6,943,197</u>	<u>1,010,651</u>
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience	38,689	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>36,153</u>	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>74,842</u>	-
NET POSITION		
Net invested in capital assets	21,213,585	-
Unrestricted	<u>(3,637,025)</u>	<u>670,343</u>
TOTAL NET POSITION	<u>\$ 17,576,560</u>	<u>\$ 670,343</u>

The accompanying notes are an integral part of this statement.

CITY OF HAMMOND, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
OPERATING REVENUES		
Sewer charges	\$ 2,331,612	\$ -
Water sales	1,356,988	-
Tap-in and reconnect fees	41,290	-
Monthly user fees	567,986	-
Other fees	42,925	-
Insurance charges	-	2,531,728
Insurance reimbursements	-	123,774
Miscellaneous	<u>268,814</u>	<u>-</u>
Total operating revenues	4,609,615	2,655,502
OPERATING EXPENSES		
Insurance	-	4,378,294
Personnel services	1,838,822	-
Contractual services, supplies, materials and other	1,393,127	-
Depreciation	1,452,577	-
Bad Debt	50,071	-
Total operating expenses	<u>4,734,597</u>	<u>4,378,294</u>
Operating income (loss)	(124,982)	(1,722,792)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	14,596	3,616
Miscellaneous expense	(355,772)	-
Federal grant	156,453	-
Pension contributions from non-employer contributing entities	18,094	-
Interest expense	<u>(14,002)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(180,631)</u>	<u>3,616</u>
Loss before operating transfers	(305,613)	(1,719,176)
TRANSFERS IN	200,000	1,772,000
TRANSFERS OUT	<u>(389,307)</u>	<u>-</u>
Total operating transfers	<u>(189,307)</u>	<u>1,772,000</u>
Change in net position	(494,920)	52,824
TOTAL NET POSITION - beginning	18,071,480	617,519
TOTAL NET POSITION - ending	<u>\$ 17,576,560</u>	<u>\$ 670,343</u>

CITY OF HAMMOND, LOUISIANA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,608,091	\$ 2,531,728
Payments to suppliers	(806,707)	(4,137,372)
Payments to employees	(1,541,005)	-
Receipts from claim settlements	-	123,774
Payments to other funds	<u>(24,402)</u>	<u>-</u>
Net cash provided by (used in) operating activities	2,235,977	(1,481,870)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,342,701)	-
Miscellaneous expenses	(337,678)	-
Interest paid	(14,002)	-
Receipts from grants	143,745	-
Operating transfers out	(389,307)	-
Operating transfers in	<u>200,000</u>	<u>1,772,000</u>
Net cash provided by (used in) capital and related financing activities	(1,739,943)	1,772,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>14,596</u>	<u>3,616</u>
Net cash provided by investing activities	<u>14,596</u>	<u>3,616</u>
Net increase (decrease) in cash and cash equivalents	510,630	293,746
Cash and cash equivalents, beginning	<u>1,223,701</u>	<u>833,702</u>
Cash and cash equivalents, ending	<u>\$ 1,734,331</u>	<u>\$ 1,127,448</u>

CITY OF HAMMOND, LOUISIANA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (124,982)	\$ (1,722,792)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,452,577	-
Decrease in due from other funds	580,000	-
Decrease in accounts receivable	24,815	-
(Increase) in prepaid insurance	-	(9,166)
Decrease in due from other governments	244,707	-
(Increase) in deferred outflows	(89,528)	-
(Decrease) increase in accounts payable	(155,670)	2,530
(Decrease) increase in customer deposits	(3,632)	-
(Decrease) in due to other governments	(22,707)	-
(Decrease) in due to other funds	(604,402)	-
Increase in accumulated leave	32,941	-
(Decrease) in other payables	(20,557)	(22,160)
Increase in claims payable	-	269,718
Increase in bonds payable	615,756	-
Increase in net pension liability	311,988	-
(Decrease) in deferred inflows	(5,329)	-
Total adjustments	<u>2,360,959</u>	<u>240,922</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 2,235,977</u>	 <u>\$ (1,481,870)</u>

CITY OF HAMMOND, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Marshal's Office City Court of Hammond</u>	<u>City Court of Hammond</u>
ASSETS:		
Cash on hand and in banks	\$ 42,055	\$ 362,281
Accounts receivable	<u>-</u>	<u>156</u>
TOTAL ASSETS	42,055	362,437
LIABILITIES:		
Accounts Payable	-	70,891
Due to General Fund	11,703	61,706
Due to Judicial Building Fund	-	6,418
Due to Others	<u>30,352</u>	<u>223,422</u>
TOTAL LIABILITIES	42,055	362,437
NET POSITION	<u>-</u>	<u>-</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

INTRODUCTION:

On April 15, 1977, the United States District Court for the Eastern District of Louisiana ordered and decreed that the City of Hammond (the City) shall institute the proposed Home Rule Charter dated April 11, 1977. The City operates under a Mayor-Council form of government.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY:

As the municipal governing authority, the City is considered a separate entity for reporting purposes. The financial reporting entity consists of (a) the Primary Government (City of Hammond), (b) organizations for which the Primary Government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 61 and GASB Statement No. 80, establishes criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent and provide the potential for specific financial benefits to, or impose specific financial burdens on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.
4. Organizations that are organized as not-for-profit corporations in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. REPORTING ENTITY: (Continued)

Based on the previous criteria, the City has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Year End</u>	<u>Criteria Used</u>
City Court	June 30, 2017	2
Marshal of City Court	June 30, 2017	2
Hammond Downtown Development District	June 30, 2017	1

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City has one blended component unit which is reported as if it were part of or blended with the City's operations. The Hammond Downtown Development District (the District) was created to formulate and implement a redevelopment plan for the central business district of the City. The City's governing authority appoints the District's board members and approves the redevelopment plan. The District is reported as a Special Revenue Fund of the City. No separate financial statements for the District have been issued.

Discretely Presented Component Units

Component units that are legally separate from the City, but are financially accountable to the City or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, are discretely presented. The Component Unit columns of the combined financial statements include the financial data of the discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. REPORTING ENTITY: (Continued)

Discretely Presented Component Units: (Continued)

Funding for the following state constitutionally defined agencies is included in the City's General Fund. These agencies, however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's financial statements:

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2017.

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2017.

Related Organizations

The Hammond Section 8 Housing Authority (the Authority) is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City's governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the City. This organization is not a component unit of the City's reporting entity. It is classified as a related organization. The City's accountability does not extend beyond making the appointments.

The Hammond-Tangipahoa Home Mortgage Authority is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Tangipahoa Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The City has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. REPORTING ENTITY: (Continued)

Related Organizations: (Continued)

manner for the debt issues of this agency. This agency is classified as a related organization.

Complete financial statements for each of the City's component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana; 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agency's administrative offices.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

In accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, included in the City's Annual Financial Report are the Management's Discussion and Analysis (MD&A), government-wide financial statements which include the Statement of Net Position and the Statement of Activities and fund financial statements which include the Balance Sheet, Reconciliation of the Balance Sheet to the Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

The Statement of Net Position and the Statement of Activities include the governmental and business-type activities of the City and also the component units for which the City is financially accountable. These government-wide statements for the governmental activities begin with the governmental funds financial statements balances and are adjusted to incorporate the City's capital assets, long-term debt and internal service funds. These adjustments are detailed in the financial statements in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Changes in Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. The Statement of Activities presents financial information in a manner that shows the income and expenses generated by each individual governmental function or unit. Taxes are reported as general revenues along with other items that cannot be properly included in program revenues.

Fund financial statements report major individual governmental funds in a separate

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:
(Continued)**

column. Separate financial statements are provided for governmental funds, proprietary funds and component units.

Governmental funds are used to account for the majority of government's general activities, including the collection and disbursement of earmarked monies, (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds account for assets held in a trustee or agency capacity on behalf of others. The City has no fiduciary funds except those employed by its component units.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND
FINANCIAL STATEMENT PRESENTATION:**

Government-Wide Financial Statements:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interest income and intergovernmental revenues derived from providing services to entities outside the primary government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Government-Wide Financial Statements: (Continued)

Amounts reported as program revenues include:

1. Charges to customers or applicants for goods, services or privileges provided,
2. Operating grants and contributions and
3. Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. 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. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers ad valorem (property) taxes revenue in the year for which they are levied. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are franchise taxes, licenses, fines, interest revenue and charges for services. In accordance with GASB Statement No. 22, sales taxes collected and held by merchants and the intermediary collecting governments at year end on behalf of the City are recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

The City government reports the following major governmental funds:

- General Fund – the General Fund is the City’s primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- Capital Projects Fund – the Capital Projects Fund is used to account for the proceeds of grants and other funding that are received primarily to assist in capital projects throughout the City of Hammond.
- Airport Capital Projects Fund – the Airport Capital Projects Fund is used to account for the proceeds of grants that are received primarily to assist in capital projects at the Hammond Airport.

The City government reports the following major proprietary fund:

- Water and Sewer Fund – the Water and Sewer Fund is used to account for the provisions of water and sewer services to residents of the City and certain residents outside of City limits. The fund also accounts for the maintenance of the water and sewer system, including capital outlay for the system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include personnel services, contractual services, supplies, materials, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

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

The reporting focus of fiduciary funds is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not available to support City programs.

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying basic financial statements of the City have been prepared in conformity with such principles.

During the year ended June 30, 2016, the City adopted GASB Statement No. 76 – “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” The objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of general accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes GASB Statement No. 55 – “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”

During the year ended June 30, 2017, the City adopted GASB Statement No. 82 – “Pension Issues.” This statement addresses certain issues that have been raised with GASB Statements No. 67, 68 and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Budgets:

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

1. By May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at council meetings to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. Only the City Council is authorized to transfer budgeted amounts between departments within any fund or revise the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds, except those Special Revenue Funds established to account for a particular grant. Such grant funds are budgeted over the life of the grant and not necessarily on an annual basis.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Those budgets which the City adopts are on a basis consistent with accounting principles generally accepted in the United States of America as applied to governmental units.

Budgetary data for the discretely presented component units are not presented in these financial statements.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned by the employee. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absences liability is reported. Substantially all employees of the City government earn from one week to four weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated up to a maximum of 280 hours. Upon termination, an employee shall be paid a value of his accrued annual leave up to 280 hours.

All employees except Fire and Police earn 12 days a year of sick leave regardless of the length of service. Each employee of the Police Department and every Fireman in the employ of a municipality in accordance with civil service requirements are given, with full pay, a sick leave aggregating not less than fifty-two weeks during any calendar year when the conditions actually warrant. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

Sales and Use Tax:

The City has a two percent sales and use tax. The Tangipahoa Parish School Board is authorized to collect and remit this tax to the City for a stipulated fee. The City's sales tax ordinances provide that the proceeds can be used for debt service payments and general governmental operations of the City.

Long-Term Obligations:

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Long-Term Obligations: (Continued)

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

Restricted Assets:

Included in restricted assets of the governmental activities in the Statement of Net Position are:

1) The “Capital Project Fund”, which is used to segregate those resources accumulated through sale of bond or state financing to be used for capital projects, and 2) the “Debt Service Fund” account, which is used to pay principal and interest on the City’s general obligation, and sales tax bonds.

Included in restricted assets of the business-type activities in the Statement of Net Position are:

The “Customers’ Deposits” account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service.

Governmental Fund Balances:

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are classified as follows:

- 1) Non-Spendable Fund Balances – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- 2) Restricted Fund Balance – amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Governmental Fund Balances: (Continued)

- 3) Committed Fund Balance – amounts that can be used only for specific purposes determine by a formal action by City Council ordinance or resolution.
- 4) Assigned Fund Balance – amounts that are constrained by the City's intent that they will be used for specific purposes.
- 5) Unassigned Fund Balance – all amounts not included in the other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2017 is \$50,000.

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts.

Advance To/From Other Funds:

Non-current portions of long-term interfund loans on receivables are reported as advances.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items in the government-wide financial statements and fund financial statements.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 for equipment, \$100,000 for water and sewer infrastructure, \$250,000 for general infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred by the City during the current fiscal year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Life</u>
Buildings	10-40 years
Lines and mains	20-50 years
Equipment and vehicles	5-20 years
Infrastructure	20-40 years

Intangible Assets:

Intangible assets include easements, computer software, patent, copyrights, trademarks and goodwill. The City does not currently have any reportable intangible assets that meet the capitalization threshold for intangible assets in accordance with GASB Statement No. 51 "Accounting and Reporting for Intangible Assets."

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Interfund Transactions:

On fund financial statements, long-term interfund loans are classified as “due to/from other funds” on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Use of Estimates:

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that are used.

2. AD VALOREM TAXES:

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City during the year and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed and recognized as revenue when received. The City bills and collects its own property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish.

The City is permitted by state law to levy taxes up to 9.04 mills of assessed valuation for general operating purposes. In 2011, the City passed an ordinance to allow part of the 9.04 mills to support debt service payments for Limited Tax Revenue Bonds issued in 2011. In addition, voters renewed a ten-year millage in 2008 of two (2) mills to be used for public improvements upkeep. The total is for general government services. No

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

2. AD VALOREM TAXES: (Continued)

assessment was required for payment of long-term debt. On October 2, 2010, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2011, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries.

The Hammond Downtown Development District (the District) is permitted by state law to levy taxes up to fifteen (15) mills on all property subject to taxation by the District for the purpose of constructing, acquiring, operating or maintaining public facilities contemplated by the redevelopment plan and for the operating expenses of the District.

For the year ended June 30, 2017, taxes were levied for the City (21.04 mills) and the District (15 mills) on property. The total tax levied was \$4,469,984. Tax collections for the year ended June 30, 2017 were 99% of the tax levy.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS:

A. Primary Government

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. 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.

The primary government had no long-term investments as of June 30, 2017. All monies are invested in short term cash equivalents.

At June 30, 2017, the City had cash (book balances) totaling \$11,775,273 as follows:

Governmental Funds:

Petty cash	\$ 1,500
Demand deposits	2,105
Interest bearing demand deposits	<u>8,909,889</u>
	8,913,494

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

A. Primary Government: (Continued)

Proprietary Funds:

Enterprise Fund	
Interest bearing demand deposit	1,734,331
Internal Service Fund	
Interest bearing demand deposit	1,100,697
Cash with agent	<u>26,751</u>
	<u>1,127,448</u>
Total	<u>\$ 11,775,273</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2017, the City had \$12,063,293 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities.

B. Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The City's bank balance of \$12,063,293 at June 30, 2017 is secured by pledged collateral held in joint custody. The City has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

C. Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposit) at June 30, 2017, are as follows:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

C. Discretely Presented Component Units: (Continued)

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$308,673 in deposits (book balances), of which \$116,436 is restricted, at June 30, 2017. Total cash (book balances) from fiduciary responsibilities was \$362,281 at June 30, 2017. The City Court of Hammond reported on the government-wide financial statements investments (book balance) of \$592,060 at June 30, 2017. Bank balances at June 30, 2017 totaled \$1,331,415 of which \$887,242 was insured by FDIC Insurance and \$444,173 was collateralized with investments held by pledging bank's trust department not in the City Court's name.

Certificates of deposit with a maturity of 90 days or more are classified on the government-wide financial statements, fund financial statements and statement of fiduciary net position as "Investments".

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. At June 30, 2017, \$444,173 was exposed to custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

At June 30, 2017, the City Court 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.

Marshal of the City Court of Hammond

At June 30, 2017, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$204,800. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$42,055 at June 30, 2017. The Marshal's Office reported

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

C. Discretely Presented Component Units: (Continued)

Marshal of the City Court of Hammond: (Continued)

on the government-wide financial statements investments (book balance) of \$230,184 at June 30, 2017. The bank balances at June 30, 2017 totaled \$526,745, all of which was insured by FDIC Insurance.

Custodial credit risk – Deposits. Custodial credit risk is defined as the risk that, in the event of a bank failure, the entity’s deposits and collateral securities that are in the possession of an outside party may not be recovered. The Marshal’s Office is not exposed to custodial credit risk at June 30, 2017. The Marshal’s Office has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Marshal’s Office that the fiscal agent has failed to pay deposited funds upon demand.

4. RECEIVABLES:

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Funds		Total Primary Government	Total Component Units	Reporting Entity
	General	Other Governmental Funds	Total	Enterprise	Internal Service			
Receivables:								
Taxes:								
Ad valorem	\$ 115,798	\$ -	\$ 115,798	\$ -	\$ -	\$ 115,798	\$ -	\$ 115,798
Franchise	201,491	-	201,491	-	-	201,491	-	201,491
Notes receivables	-	386,328	386,328	-	-	386,328	-	386,328
Accounts receivables	-	-	-	784,291	-	784,291	-	784,291
Other receivables	188,142	15,409	203,551	-	-	203,551	1,574	205,125
Gross receivables	505,431	401,737	907,168	784,291	-	1,691,459	1,574	1,693,033
Less: Allowance for uncollectibles	(115,798)	-	(115,798)	(50,000)	-	(165,798)	-	(165,798)
Net Receivables	\$ 389,633	\$ 401,737	\$ 791,370	\$ 734,291	\$ -	\$ 1,525,661	\$ 1,574	\$ 1,527,235

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

5. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS IN, TRANSFERS OUT:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	\$ 1,612,707	\$ -
Sales tax fund	-	1,600,000
Airport Capital Projects Fund	-	375,000
Capital Projects Fund	375,000	-
Other governmental funds	26,000	38,707
Total Primary Government	\$ 2,013,707	\$ 2,013,707
Governmental Funds:	Transfers In	Transfers Out
General fund	\$ 15,562,347	\$ 4,264,915
Sales tax fund	-	19,231,808
Airport Capital Projects Fund	46,666	-
Capital Projects Fund	3,239,849	-
Other governmental funds	3,718,866	653,698
Total Governmental Funds	22,567,728	24,150,421
Proprietary Funds:		
Enterprise fund	200,000	389,307
Internal service fund	1,772,000	-
Total Proprietary Funds	1,972,000	389,307
Total Primary Government	\$ 24,539,728	\$ 24,539,728

The principal purpose of transfers between funds is to fund expenditures associated with those funds.

6. DUE FROM OTHER GOVERNMENTS:

	Governmental Funds				Proprietary Fund		Total Primary Government	Component Units	Total Reporting Entity
	General	Airport Capital Projects	Capital Projects	Sales Tax	Other Governmental Funds	Enterprise Fund			
State of Louisiana:									
Beer tax	\$ 12,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,051	\$ -	\$ 12,051
State grants	-	540,958	132,362	-	59,756	372,747	1,105,823	-	1,105,823
Fire insurance rebate	91,006	-	-	-	-	-	91,006	-	91,006
Tangipahoa Parish Council									
Water District	3,678	-	-	-	-	45,557	49,235	-	49,235
Tangipahoa Parish Rural									
Fire District # 2	81,250	-	-	-	-	-	81,250	-	81,250
Tangipahoa Parish School									
Board – sales tax	-	-	-	3,412,264	-	-	3,412,264	-	3,412,264
City Court of Hammond	27,420	-	-	-	-	-	27,420	7,427	34,847
City of Hammond	-	-	-	-	-	-	-	58,018	58,018
Louisiana Dept. of Public Safety	-	-	-	-	-	-	-	188	188
FINS Counseling Grant	-	-	-	-	-	-	-	2,489	2,489
Federal grants	3,919	214,267	41,035	-	29,526	55,000	343,747	-	343,747
Other agencies	10,399	-	-	-	-	-	10,399	-	10,399
	\$ 229,723	\$ 755,225	\$ 173,397	\$ 3,412,264	\$ 89,282	\$ 473,304	\$ 5,133,195	\$ 68,122	\$ 5,201,317

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

7. CAPITAL ASSETS:

A. Governmental Funds:

The following is a summary of governmental fund-type capital assets at June 30, 2017.

	Balance 7/01/2016	Additions	Deletions	Completed Construction	Balance 6/30/2017
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 5,115,805	\$ -	\$ -	\$ -	\$ 5,115,805
Construction in progress	1,669,652	5,006,911	-	(2,068,902)	4,607,661
Total capital assets not being depreciated	<u>6,785,457</u>	<u>5,006,911</u>	<u>-</u>	<u>(2,068,902)</u>	<u>9,723,466</u>
Capital assets being depreciated:					
Buildings	10,744,748	1,103,546	-	-	11,848,294
Vehicles	7,884,277	509,776	(386,246)	-	8,007,807
Equipment	5,489,477	106,488	(70,131)	-	5,525,834
Infrastructure	<u>55,832,501</u>	<u>2,068,902</u>	<u>-</u>	<u>-</u>	<u>57,901,403</u>
Total capital assets being depreciated	79,951,003	3,788,712	(456,377)	-	83,283,338
Less accumulated depreciation	<u>(33,360,139)</u>	<u>(3,587,405)</u>	<u>456,377</u>	<u>-</u>	<u>(36,491,167)</u>
Total capital assets being depreciated, net	<u>46,590,864</u>	<u>201,307</u>	<u>-</u>	<u>-</u>	<u>46,792,171</u>
Governmental activities capital assets, net	<u>\$ 53,376,321</u>	<u>\$ 5,208,218</u>	<u>\$ -</u>	<u>\$ (2,068,902)</u>	<u>\$ 56,515,637</u>

Depreciation expense was charged to functions as follows:

General government	\$ 183,908
Public safety:	
Police	545,065
Fire	280,331
Culture and recreation	162,524
Buildings	29,571
Grounds	49,879
Airport	484,645
Streets	1,784,257
Economic development	<u>67,225</u>
Total governmental activities depreciation expense	<u>\$ 3,587,405</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

7. CAPITAL ASSETS: (Continued)

The following is a summary of capital assets of the Component Units at June 30, 2017:

	Balance <u>7/1/2016</u>	Additions	Deletions	Changes in Accumulated Depreciation	Balance <u>6/30/2017</u>
City Court of Hammond Marshal of City Court of Hammond	\$ 308,389	\$ 42,486	\$ (5,212)	\$ (85,571)	\$ 260,092
	<u>25,637</u>	<u>-</u>	<u>(20,985)</u>	<u>11,442</u>	<u>16,094</u>
Total Component Units	<u>\$ 334,026</u>	<u>\$ 42,486</u>	<u>\$ (26,197)</u>	<u>\$ (74,129)</u>	<u>\$ 276,186</u>

B. Proprietary Fund:

The following is a summary of proprietary fund-type capital assets at June 30, 2017:

	Balance <u>7/1/2016</u>	Additions	Deletions	Completed Construction	Balance <u>6/30/2017</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 158,047	\$ -	\$ -	\$ -	\$ 158,047
Construction in progress	<u>5,146,360</u>	<u>1,242,079</u>	<u>-</u>	<u>(1,749,724)</u>	<u>4,638,715</u>
Total capital assets not being depreciated	<u>5,304,407</u>	<u>1,242,079</u>	<u>-</u>	<u>(1,749,724)</u>	<u>4,796,762</u>
Capital assets being depreciated:					
Water:					
Buildings	493,499	-	-	-	493,499
Equipment	747,416	5,605	(3,991)	-	749,030
Vehicles	681,144	-	(17,307)	-	663,837
Lines and Mains	7,102,358	-	-	-	7,102,358
Sewer:					
Buildings	84,908	-	-	-	84,908
Equipment	1,465,014	95,017	-	-	1,560,031
Vehicles	544,637	-	-	-	544,637
Lines and Mains	<u>32,337,180</u>	<u>1,749,724</u>	<u>-</u>	<u>-</u>	<u>34,086,904</u>
Total capital assets being depreciated	43,456,156	1,850,346	(21,298)	-	45,285,204
Less: accumulated depreciation	<u>(27,437,102)</u>	<u>(1,452,577)</u>	<u>21,298</u>	<u>-</u>	<u>(28,868,381)</u>
Total capital assets being depreciated, net	<u>16,019,054</u>	<u>397,769</u>	<u>-</u>	<u>-</u>	<u>16,416,823</u>
Business-type activities capital assets, net	<u>\$ 21,323,461</u>	<u>\$ 1,639,848</u>	<u>\$ -</u>	<u>\$ (1,749,724)</u>	<u>\$ 21,213,585</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

7. CAPITAL ASSETS: (Continued)

B. Proprietary Fund (Continued):

Transfer of capital assets from Proprietary Funds to Governmental Funds totaled \$17,307 for the year ended June 30, 2017.

Depreciation expense was as follows:

Business-type activities:

Water	\$ 245,853
Sewer	<u>1,206,724</u>
Total business-type activities depreciation expense	<u>\$ 1,452,577</u>

8. RESTRICTED ASSETS:

Restricted assets for the City were applicable to the following at June 30, 2017:

Governmental Activities:

Unexpended Bond Proceeds	\$ 529,533
Bond Sinking Fund	<u>282,921</u>
Total	<u>\$ 812,454</u>

Business-type Activities:

Meter Deposit Accounts	<u>\$ 807,833</u>
------------------------	-------------------

Component Unit

City Court of Hammond – Judicial Building Fund	<u>\$ 116,436</u>
------------------------------------------------	-------------------

9. GENERAL LONG-TERM DEBT OBLIGATIONS:

The following is a summary of general long-term debt transactions for the year ended June 30, 2017.

	<u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>	<u>Amounts Due Within One Year</u>
Government Funds:					
Sales tax revenue bonds	\$ 755,000	\$ -	\$ 755,000	\$ -	\$ -
Limited tax revenue bonds	2,950,000	-	385,000	2,565,000	400,000
Sales tax refunding bonds	10,615,000	-	395,000	10,220,000	1,190,000
Premium	1,321,343	-	145,469	1,175,874	-
Accumulated leave	4,049,245	145,908	-	4,195,153	-
Total Governmental Funds	<u>\$ 19,690,588</u>	<u>\$ 145,908</u>	<u>\$ 1,680,469</u>	<u>\$ 18,156,027</u>	<u>\$ 1,590,000</u>
Proprietary Funds:					
Bonds	\$ 3,051,917	\$ 773,756	\$ (158,000)	\$ 3,667,673	\$ 197,000
Accumulated leave	325,237	32,941	-	358,178	-
Total Proprietary Funds	<u>\$ 3,377,154</u>	<u>\$ 806,697</u>	<u>\$ (158,000)</u>	<u>\$ 4,025,851</u>	<u>\$ 197,000</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds

The following is a summary of the bonds of the City at June 30, 2017:

\$4,390,000 Limited Tax Revenue Bonds, Series 2011, due in annual installments of principal and semi-annual installments of interest through December 1, 2022; interest on \$385,000 at 2.54%, on \$400,000 at 2.54%, on \$410,000 at 2.54%, on \$420,000 at 2.54%, on \$435,000 at 2.54%, on \$445,000 at 2.54%, and on \$455,000 at 2.54%. \$ 2,565,000

\$11,000,000 Sales Tax Refunding Bonds, Series 2015, due in annual installments of principal starting December 1, 2015, and semi-annual installments of interest starting December 1, 2015, through December 1, 2026; on \$395,000 at 2%, on \$1,190,000 at 3%, on \$1,225,000 at 3%, on \$1,275,000 at 4%, on \$815,000 at 3%, on \$850,000 at 3%, on \$885,000 at 4%, on \$920,000 at 4%, on \$965,000 at 5%, on \$1,020,000 at 5%, and on \$1,075,000 at 5%. 10,220,000

Total Bonds Payable \$ 12,785,000

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds: (Continued)

A combined schedule of the outstanding Limited Tax Revenue Series 2011 and Sales Tax Series 2015 bonds and the interest and principal requirements by dates is as follows:

<u>DUE DATE</u>	<u>Limited Tax Revenue Series 2011</u>		<u>Sales Tax Refunding Series 2015</u>		<u>TOTALS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
December 1, 2017	\$ 400,000	\$ 32,576	\$ 1,190,000	\$ 199,300	\$ 1,821,876
June 1, 2018	-	27,496	-	181,450	208,946
December 1, 2018	410,000	27,496	1,225,000	181,450	1,843,946
June 1, 2019	-	22,288	-	163,075	185,363
December 1, 2019	420,000	22,288	1,275,000	163,075	1,880,363
June 1, 2020	-	16,955	-	137,575	154,530
December 1, 2020	435,000	16,955	815,000	137,575	1,404,530
June 1, 2021	-	11,430	-	125,350	136,780
December 1, 2021	445,000	11,430	850,000	125,350	1,431,780
June 1, 2022	-	5,778	-	112,600	118,378
December 1, 2022	455,000	5,778	885,000	112,600	1,458,378
June 1, 2023	-	-	-	94,900	94,900
December 1, 2023	-	-	920,000	94,900	1,014,900
June 1, 2024	-	-	-	76,500	76,500
December 1, 2024	-	-	965,000	76,500	1,041,500
June 1, 2025	-	-	-	52,375	52,375
December 1, 2025	-	-	1,020,000	52,375	1,072,375
June 1, 2026	-	-	-	26,875	26,875
December 1, 2026	-	-	1,075,000	26,875	1,101,875
TOTAL	\$ 2,565,000	\$ 200,470	\$ 10,220,000	\$ 2,140,700	\$ 15,126,170

In 2011, the City issued \$4,390,000 of Limited Tax Revenue Bonds to refund the Series 2002 Sales Tax Revenue Bonds. The Limited Tax Bonds are supported by the 9.04 mill Ad Valorem tax.

Accumulated Leave

At June 30, 2017, employees of the City have accumulated and vested \$4,195,153 of leave benefits for all governmental funds.

Proprietary Fund Types:

Accumulated Leave

At June 30, 2017, employees of the City who work in the Water and Sewer Departments have accumulated and vested \$358,178 of leave benefits for the proprietary funds.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Proprietary Fund Types: (Continued)

Public Improvement Revenue Bonds

In November of 2013, the City entered into a loan agreement with the Louisiana Department of Environmental Quality (LDEQ) for the purpose of issuing Taxable Sewer Revenue Bonds, Series 2013 for an amount not to exceed \$5,000,000. The Taxable Sewer Revenue Bonds, Series 2013 are secured by and payable from a pledge and dedication of revenues derived from the sewerage system and user fees of the Proprietary Fund. Loan proceeds of \$773,756 were drawn down and \$158,000 were retired in 2017. As of June 30, 2017, \$3,667,673 of such bonds remained outstanding.

In addition, the City also owes the State and local governmental districts \$23,710 as of June 30, 2017.

Advanced Refunding

During the year ended June 30, 2015, the City issued \$11,000,000 in sales tax bonds with interest rates ranging from 2% to 5%. The proceeds were used to advance refund \$12,105,000 of outstanding 2005 and 2006 sales tax bonds which had interest rates ranging from 4% to 5.25%. The net proceeds of \$12,321,826 (including a \$1,527,424 premium and after payment of \$205,597 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 sales tax bond was considered defeased and the liability for those bonds has been removed from the statement of net position while the 2006 sales tax bond has a remaining balance of \$1,475,000. During the year ended June 30, 2017, \$145,469 of this premium was amortized.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

10. METER DEPOSITS:

Meter deposits are paid by customers upon application for utility services and are refundable to them upon termination of service. Receipts from meter deposits are deposited in a meter deposit account and refunds of deposits on termination of service are made from the same account.

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2017, meter deposits amounted to \$807,833 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$807,833.

11. PENSION PLANS:

Substantially all employees of the City of Hammond are members of three statewide, public employee retirement systems, the Municipal Employees' Retirement System (MERS), the Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS). All three plans are administered by separate boards of trustees and are cost-sharing, multiple-employer defined benefit pension plans. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. The reports for MERS, MPERS and FRS may be obtained at www.mersla.com, www.lampers.org and www.lafirefightersret.com, respectively.

Plan Descriptions

Municipal Employees' Retirement System (MERS)

The MERS System was originally 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 do not have their own retirement system and which elect to become members of the System.

Municipal Police Employees' Retirement System (MPERS)

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Plan Descriptions: (Continued)

Firefighters' Retirement System (FRS)

Membership in the FRS System is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272.

Benefits Provided

MERS

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. Those individuals paid jointly by a participating employer and the City are not eligible for membership in the System with exceptions as outlined in the statutes. All of the City of Hammond's employees fall within Plan A.

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

1. Age 67 with seven (7) or more years of creditable service.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

11. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MERS: (Continued)

2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service.
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused sick leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.
5. Survivor's benefits require five or more years of credible service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

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

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

DROP Benefits - In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MERS: (Continued)

DROP Benefits: (Continued) - Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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

Disability Benefits - For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MERS: (Continued)

Deferred Benefits – Plan A provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

MPERS

Membership prior to January 1, 2013 - A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership commencing January 1, 2013 - Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MPERS: (Continued)

Membership commencing January 1, 2013: (Continued) - Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Cost of living adjustments - The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan - A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MPERS: (Continued)

Deferred Retirement Option Plan: (Continued) - The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

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

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

FRS

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

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

FRS: (Continued)

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

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

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Contributions

MERS

Contribution rates for employees are established by Louisiana Revised Statute 11:1786 and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2017, employees were required to contribute 9.50% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 22.75% of annual payroll. Contributions to the System from the City were \$945,884 for the year ended June 30, 2017.

MPERS

Contribution rates for employees are established by state statutes and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2017, employees were required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 31.75% of annual payroll. Contributions to the System from the City were \$1,381,609 for the year ended June 30, 2017.

FRS

Contribution rates for employees are established by state statutes and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2017, employees were required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 25.25% of annual payroll. Contributions to the System from the City were \$746,071 for the year ended June 30, 2017.

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

At June 30, 2017, the City of Hammond reported a liability for MERS, MPERS and FRS of \$10,065,265, \$15,078,464 and \$8,389,998, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The City's proportion of the net pension liability for each retirement system was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

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

At June 30, 2016, the City's proportion for MERS, MPERS and FRS was 2.455715%, 1.608744% and 1.282697%, respectively. This reflects a decrease for MERS and MPERS of 0.058857% and 0.004729%, respectively, and an increase for FRS of 0.016503%, from their proportions measured as of June 30, 2015.

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

	Pension Expense
MERS	\$ 1,308,737
MPERS	2,175,246
FRS	<u>1,268,780</u>
Total	<u>\$ 4,752,763</u>

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

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	MERS	MPERS	FRS	TOTAL	MERS	MPERS	FRS	TOTAL
Changes in proportions	\$ -	\$ 300,415	\$ 70,720	\$ 371,135	\$ 297,310	\$ 99,405	\$ 327,014	\$ 723,729
Contributions subsequent to the measurement date	945,884	1,381,609	746,071	3,073,564	-	-	-	-
Differences between expected and actual experience	-	-	-	-	318,169	239,860	332,109	890,138
Net difference between projected and actual earnings on pension plan investments	2,298,636	2,320,176	2,016,400	6,635,212	-	-	-	-
Changes of assumptions	<u>366,400</u>	<u>733,123</u>	<u>72,306</u>	<u>1,171,829</u>	<u>-</u>	<u>908</u>	<u>2,338</u>	<u>3,246</u>
Total	<u>\$ 3,610,920</u>	<u>\$ 4,735,323</u>	<u>\$ 2,905,497</u>	<u>\$ 11,251,740</u>	<u>\$ 615,479</u>	<u>\$ 340,173</u>	<u>\$ 661,461</u>	<u>\$ 1,617,113</u>

During the year ended June, 30, 2017, employer contributions totaling \$945,884, \$1,381,609 and \$746,071 were made subsequent to the measurement date for MERS, MPERS and FRS, respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

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

	MERS	MPERS	FRS
Year ended June 30:			
2018	\$ 430,575	\$ 635,506	\$ 394,287
2019	744,807	912,692	520,942
2020	356,581	589,333	240,319
2021	-	-	(51,594)
2022	-	-	(276)
	<u>\$ 1,531,963</u>	<u>\$ 2,137,531</u>	<u>\$ 1,103,678</u>
TOTAL	<u>\$ 1,531,963</u>	<u>\$ 2,137,531</u>	<u>\$ 1,103,678</u>

Actuarial Assumptions

The total pension liabilities for MERS, MPERS and FRS in the June 30, 2017, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	MERS	MPERS	FRS
Actuarial cost method:	Entry age normal	Entry age normal	Entry age normal
Amortization approach:	Closed	Closed	Closed
Actuarial assumptions:			
Expected remaining service lives:	3 years	4 years	7 years
Investment rate of return:	7.5%	7.5%, net of investment expense	7.5% per annum
Inflation rate:	2.875%	2.875%	2.875% per annum
Projected salary increases:	5.000%	Vary from 9.75% in the first year of service to 4.25% after 23 years	Vary from 15% in the first two years of service to 4.75% after 25 years
Cost-of-living adjustments:	Only those previously granted	None granted	Only those previously granted

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Actuarial Assumptions (Continued)

	MERS	MPERS	FRS
Mortality:	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.	RP-2000 Employee Mortality Table set back 1 year for males and 1 year for females for active members
	RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.	RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.	RP-2000 Health Annuitant Mortality Table set back 1 year for males and 1 year for females for annuitants and beneficiaries
	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.	RP-2000 Employee Table set back 4 years for males and set back 3 year for females for active annuitants	RP-2000 Disabled Lives Mortality Tables for males and females for disabled annuitants

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic (MERS and MPERS) and geometric (FRS) real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	FRS	MERS	MPERS	FRS
Public equity	50%	53%	58%	2.60%	3.69%	6.77%
Public fixed income	15%	21%	24%	1.80%	0.49%	1.85%
Alternatives	35%	20%	8%	0.80%	1.11%	6.67%
Other	0%	6%	10%	0%	0.21%	4.30%
Totals	100%	100%	100%	5.20%	5.50%	19.59%

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discount Rates

The discount rate used to measure the total pension liability for all plans was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following tables present the employer's proportionate share of the net pension liability using the discount rates of 7.5% for each plan, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
MERS	\$ 12,794,826	\$ 10,065,265	\$ 7,736,114
MPERS	20,100,889	15,078,464	10,861,682
FRS	<u>11,430,695</u>	<u>8,389,998</u>	<u>5,832,829</u>
TOTAL	<u>\$ 44,326,410</u>	<u>\$ 33,533,727</u>	<u>\$ 24,430,625</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued MERS, MPERS and FRS audit reports at www.mersla.com, www.lampers.org and www.lafirefightersret.com, respectively.

Payables to the Pension Plan

At June 30, 2017, payables to MERS, MPERS and FRS were \$184,963, \$33,803 and \$21,208, respectively, for June 2017 employee and employer legally-required contributions.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units

City Court of Hammond

A. Parochial Employees' Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the City Court are eligible for participation in the Parochial Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 205 of the 1952 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.persla.org. The report may also be obtained by writing to the Parochial Employees' Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee's final compensation multiplied by the employee's years of creditable service. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions – Per Act 765 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 3.00% of their annual pay. The City Court's contribution

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

General Information about the Pension Plan: (Continued)

Contributions: (Continued)

rate was 8.00% for the period July 1, 2016 through June 30, 2017. Contributions to the System from the City Court were \$63,157 for the year ended June 30, 2017.

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

At June 30, 2017, the City Court reported a liability of \$103,779 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City Court's proportion of the net pension liability was based on a projection of the City Court's June 30, 2017 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the City Court's proportion was 0.798868%, which was a decrease of 0.023663% from its proportion measured as of December 31, 2015. For the year ended June 30, 2017, the City Court recognized pension expense of \$96,895. At June 30, 2017, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 29,622
Changes of Assumptions	12,378	-
Net Difference Between Projected and Actual Earnings		
On Pension Plan Investments	103,609	-
Changes in Proportion and Differences Between City Court		
Contributions and Proportionate Share of Contributions	884	-
City Court Contributions Subsequent to the Measurement Date	<u>31,579</u>	<u>-</u>
	<u>\$ 148,450</u>	<u>\$ 29,622</u>

\$31,579 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

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

reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:

June 30, 2018	\$ 28,935
June 30, 2019	35,818
June 30, 2020	24,889
June 30, 2021	(2,921)

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Investment Rate of Return	7.00%, Net of Investment Expense

Mortality rates were based on the RP-2000 Employee Table for active members, the RP-2000 Healthy Annuitant Table for healthy annuitants and beneficiaries, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The mortality rate assumption used in the December 31, 2016, valuation was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35.00%	1.24%
Equity	52.00%	3.63%
Alternatives	11.00%	0.67%
Real Assets	<u>2.00%</u>	<u>0.15%</u>
Total	<u>100.00%</u>	<u>5.66%</u>
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with the relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on these assumptions, the System's fiduciary net

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Discount Rate: (Continued)

position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City Court's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City Court's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City Court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1.0% Decrease (6.00%)	Current Discount Rate (7.00%)	1.0% Increase (8.00%)
City Court's Proportionate Share of the Net Pension Liability	\$ 394,540	\$ 103,779	\$ (141,664)

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

Payables to the Pension Plan – As of June 30, 2017, the City Court owed \$21,188 to the System for the City Court's 2nd quarter 2017 payroll contribution.

Marshal of the City Court of Hammond

B. Employees' Pension Plan (Municipal Employees' Retirement System)

General Information about the Pension Plan

Plan Description – Employees of the Marshal are eligible for participation in the Municipal Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 356 of the 1954 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.mersla.com/annual-reports.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

General Information about the Pension Plan: (Continued)

Plan Description - (Continued)

The report may also be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809, or by calling (225) 925-4810.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are generally determined as 3.0% of the employee's final compensation multiplied by the employee's years of creditable service. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits under age 60 with 5 years of service. Survivor's benefits are available upon the death of a member who has credit for 5 or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 9.50% of their annual pay. The Marshal's contractually required contribution rate for the year ended June 30, 2017, was 22.75% of annual payroll. Contributions to the System from the Marshal were \$76,750 for the year ended June 30, 2017.

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

At June 30, 2017, the Marshal reported a liability of \$862,361 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Marshal's proportion of the net pension liability was based on a projection of the Marshal's June 30, 2017, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Marshal's proportion was 0.210398%, which was a decrease of 0.045532% from its proportion measured as of June 30, 2015.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

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

For the year ended June 30, 2017, the Marshal recognized pension expense of \$68,523. At June 30, 2017, the Marshal reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 27,259
Changes of Assumptions	196,940	-
Net Difference Between Projected and Actual Earnings		
On Pension Plan Investments	31,392	-
Changes in Proportion and Differences Between Marshal Contributions and Proportionate Share of Contributions	-	111,470
Marshal Contributions Subsequent to the Measurement Date	76,750	-
	<u>\$ 305,082</u>	<u>\$ 138,729</u>

\$76,750 reported as deferred outflows of resources related to pensions resulting from the Marshal's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
June 30, 2018	\$ (958)
June 30, 2019	(3,162)
June 30, 2020	63,813
June 30, 2021	30,552

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%
Salary Increases	5.00% (2.875% Inflation, 2.125% Merit)
Investment Rate of Return	7.50%, Net of Investment Expense

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates were based on the RP-2000 Employee Table for active members, the RP-2000 Healthy Annuitant Table for healthy annuitants, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2016, valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2009 to June 30, 2014.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.60%
Public Fixed Income	35.00%	1.80%
Alternatives	15.00%	.80%
Total	<u>100.00%</u>	<u>5.20%</u>
Inflation		2.50%
Expected Arithmetic Nominal Return		7.60%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PR SAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions,

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Discount Rate: (Continued)

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

Sensitivity of the Marshal's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Marshal's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Marshal's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>1.0% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.0% Increase (8.50%)</u>
Marshal's Proportionate Share of the Net Pension Liability	\$ 1,096,221	\$ 862,361	\$ 662,806

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

Payables to the Pension Plan – As of June 30, 2017, the Marshal owed \$5,643 to the System for the Marshall's June 2017 payroll.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

12. FUND BALANCES:

Governmental Funds:

Description:	Major Funds					Total Governmental Funds
	General Fund	Sales Tax Fund	Airport Capital Projects Fund	Capital Projects Fund	Other Governmental Funds	
Fund Balances:						
Nonspendable:						
Long-term receivable	\$ -	\$ -	\$ -	\$ -	\$ 386,328	\$ 386,328
Restricted for:						
Debt service	-	-	-	-	1,352,052	1,352,052
Public safety: police	-	-	-	-	383,324	383,324
Downtown development	-	-	-	-	743,989	743,989
Capital projects	-	-	-	-	115,971	115,971
Committed to:						
Sales taxes	-	2,026,553	-	-	-	2,026,553
Emergency reserves	-	-	-	-	1,214,651	1,214,651
Public safety: police	-	-	-	-	27,721	27,721
Public safety: fire	-	-	-	-	1,043,509	1,043,509
Capital projects	-	-	50,159	2,428,688	-	2,478,847
Assigned to:						
Public safety: police	-	-	-	-	62,279	62,279
Culture and recreation	-	-	-	-	2,200	2,200
Downtown development	-	-	-	-	239,591	239,591
Other purposes	-	-	-	-	194,789	194,789
Unassigned:	<u>1,781,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781,813</u>
Total Fund Balances	<u>\$ 1,781,813</u>	<u>\$ 2,026,553</u>	<u>\$ 50,159</u>	<u>\$ 2,428,688</u>	<u>\$ 5,766,404</u>	<u>\$ 12,053,617</u>

13. EMERGENCY RESERVE FUND

With Ordinance No. 06-4048, The Hammond City Council (the Council) established a Disaster Emergency Fund for the purpose of maintaining funds that will be available in the time of emergency to assist with recovery efforts for the City. These amounts may be spent on necessary expenses to expedite the return of the City to normalcy following a nature or man-made disaster. The Fund may be abolished or reduced for use for non-emergency disaster purposes only by regular ordinance and only upon a two-thirds vote of the Council. The fund had a Fund Balance of \$1,214,651 at June 30, 2017.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$350,000 for each worker's compensation claim and \$100,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

The General Fund and Enterprise Fund participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverage are reported as quasi-external transactions. At June 30, 2017, the outstanding claims liability was \$870,714, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2017, 2016 and 2015 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2017	\$ 600,996	\$ 1,268,486	\$ 998,768	\$ 870,714
2016	462,839	1,065,439	927,282	600,996
2015	729,656	722,410	989,227	462,839

The City has established a Health Insurance Fund (an internal service fund) to account for a partially self-insured health insurance plan that the City provides to its employees. Under this program, the Health Insurance Fund provides partial coverage for employee deductibles. For a single employee, the deductible is \$2,500, of which the City is responsible for \$1,800. For a family, the deductible is \$5,000, of which the City is responsible for \$3,600. Any claims in excess of the above stated deductible amounts are covered by a commercial insurance company.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

15. SUPPLEMENTAL PAY:

In addition to the compensation paid to the City's employees, employees who are firefighters and police officers may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full time, regular employee of the City fire department who is hired after March 31, 1986 and who has passed a certified firefighters' training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the City obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire department are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees, mechanics and for those employees who have not passed a certified firefighters' training program but are hired after March 31, 1986. State supplemental pay for firefighters' must be taken into account in calculating firefighters' holiday pay and overtime pay.

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

As of June 30, 2017, the City has recognized \$864,249 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

16. LITIGATION AND CLAIMS:

At June 30, 2017, the City is a defendant in several lawsuits seeking damages. Possible liabilities arising from these claims and legal actions are immaterial and will not have a significant effect on the financial statements.

17. LEASES:

The City entered into an operating lease agreement for the lease of its land. The lease term is for five years, which commenced March 1998, with an option to renew for four five-year periods beginning March 2003. The monthly rent beginning March 1998 was \$1,000, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ended June 30, 2017 was \$81,758.

The City entered into an operating lease agreement for the office space used as the City's Office of Motor Vehicles. The lease term is for five years, which commenced April 2011, with the option to renew for two additional terms of five years each. The monthly rent beginning April 2011 was \$6,244, starting April 2016 was \$3,122, then starting April 2021 will be \$1. Rent expense for the year ended June 30, 2017 was \$28,098. The City's future minimum lease commitment under this operating lease as of June 30, 2017 is as follows:

<u>June 30</u>	<u>Amount Due</u>
2018	\$ 37,464
2019	37,464
2020	37,464
2021	<u>28,101</u>
 TOTAL	 <u>\$ 140,493</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

18. NOTES RECEIVABLE:

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the City. The terms of the loans range from five to ten years with interest rates ranging from 0.75% to 5.00%. As the loans are paid off, the City enters into other low interest loans with businesses in the City. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years and beyond is as follows:

<u>June 30</u>	<u>Amount Due</u>
2018	\$ 85,927
2019	55,583
2020	55,999
2021	52,521
2022	43,142
Thereafter	<u>93,156</u>
TOTAL	<u>\$ 386,328</u>

19. COMMITMENTS:

The City has entered into various construction contracts. The original amount of the contracts was \$14,468,056, of which \$11,701,176 has been expended as of June 30, 2017.

20. OTHER POSTEMPLOYMENT BENEFITS:

Plan Description

The City's medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Plan Description: (Continued)

City Ordinance Number 03-2942, C.S. states that the City may choose to discontinue the program at any time upon one year's notice.

Contribution Rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy

Until 2008, the City of Hammond recognized the cost of providing post-employment medical benefits (the City of Hammond's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017 and 2016, the City of Hammond's portion of health care funding cost for retired employees totaled \$142,800 and \$154,224, respectively.

Effective July 1, 2008, the City of Hammond implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

The City of Hammond's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

Normal Cost	\$ 66,643
30-year UAL amortization amount	<u>106,654</u>
Annual required contribution (ARC)	<u><u>\$ 173,297</u></u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Net Other Post-Employment (OPEB) Obligation

The table below shows the City's Net Other Postemployment Benefit (OPEB) Obligation for fiscal year ended June 30, 2017:

Annual required contribution (ARC)	\$ 173,297
Interest on net OPEB obligation	13,823
ARC Adjustment	<u>(19,985)</u>
Annual OPEB Cost	167,135
Current year retiree premium	<u>(142,800)</u>
Change in Net OPEB Obligation	24,335
Beginning Net OPEB Obligation – 7/1/16	<u>345,586</u>
Ending Net OPEB Obligation – 6/30/17	<u><u>\$ 369,921</u></u>

The following table shows the City of Hammond's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) liability for last year and this year:

Other Post-Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	June 30, 2016	\$ 137,354	112.3%	\$ 345,586
Medical	June 30, 2017	167,135	85.44%	369,921

Funded Status and Funding Progress

In 2017 and 2016, the City of Hammond made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$1,918,023 which is defined as that portion, as determined by a particular actuarial cost method (the City of Hammond uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$ 1,918,023
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,918,023
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00 %
Covered Payroll (active plan members)	\$ 13,164,015
UAAL as a percentage of covered payroll	14.57 %

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Hammond and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Hammond and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Hammond and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

There are no plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50, would create assets in the plan.

Turnover Rate

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 6%.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence five years after D.R.O.P. entry, as described above under "Plan Description" (three years in D.R.O.P. and two additional years). Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for a variable percentage of the retiree portion of the coverage (not dependents) for retiring employees based on length of service at retirement, but it is based on the blended active/retired rate. For those retiring with at least 20 years of service the retiree pays 50% of the blended rate; for at least 12 years of service but less than 20 years, the retiree pays 75% of the blended rate; for less than 12 years of service the retiree pays 100% of the blended rate. Employer payment for retiree coverage ceases at Medicare eligibility at age 65. Since GASB No. 45 mandates that "unblended" rates applicable to the

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2017

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Method of Determining Value of Benefits: (Continued)

coverage provided to retirees be used, we have estimated the total "unblended" rates for retirees before Medicare eligibility to be 130% of the blended active/retired rate, with the employer assumed to pay the difference between that unblended rate and the employee contribution of the blended rate as discussed above.

The employer has established a "cap" of \$350 per month as the maximum to be paid for retiree medical benefits by the employer in the future.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

21. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 12, 2017, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2017, the City settled an ongoing legal case in the amount of \$615,697, including legal fees. This amount is recorded in claims payable on the Statement of Net Position.

No other material subsequent events have occurred since June 30, 2017 that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,489,000	\$ 5,489,000	\$ 5,303,960	\$ (185,040)
Licenses and permits	1,854,500	1,854,500	1,972,160	117,660
Federal grant revenue	12,000	12,000	17,340	5,340
State grant revenue	10,000	10,000	14,331	4,331
Cemeteries and municipal grounds	90,000	90,000	119,565	29,565
Highways and streets	20,930	20,930	20,930	-
Public safety: police	30,000	30,000	88,978	58,978
Public safety: fire	325,000	325,000	378,506	53,506
Gaming revenues	650,000	650,000	677,167	27,167
Fines and forfeitures	400,000	400,000	335,920	(64,080)
Sanitation service fees	800,000	800,000	1,103,301	303,301
State supplemental pay	948,000	948,000	864,249	(83,751)
Parks and recreation	53,500	53,500	68,575	15,075
Donations	1,000	1,000	15,117	14,117
Interest	20,000	20,000	35,835	15,835
Miscellaneous	383,300	395,411	471,802	76,391
TOTAL REVENUES	11,087,230	11,099,341	11,487,736	388,395
EXPENDITURES				
General government	4,276,333	4,381,704	4,436,729	(55,025)
Public Safety				
Police	8,533,200	8,543,358	8,505,310	38,048
Fire	5,367,400	5,369,215	5,380,718	(11,503)
Buildings	615,061	616,115	448,828	167,287
Highways and streets	2,380,900	2,582,883	2,001,159	581,724
Cemeteries and municipal grounds	1,131,798	1,128,523	1,063,424	65,099
Sanitation	1,200,000	1,200,000	1,128,177	71,823
Airport	363,134	366,850	372,271	(5,421)
Parks and recreation	558,850	566,468	681,664	(115,196)
Capital outlay	848,218	253,333	107,283	146,050
TOTAL EXPENDITURES	25,274,894	25,008,449	24,125,563	882,886
Excess (deficiency) of revenues over expenditures	(14,187,664)	(13,909,108)	(12,637,827)	1,271,281
OTHER FINANCING SOURCES (USES)				
Operating transfers in	15,545,000	15,545,000	15,562,347	17,347
Operating transfers (out)	(2,939,480)	(4,227,110)	(4,264,915)	(37,805)
Total other financing sources (uses)	12,605,520	11,317,890	11,297,432	(20,458)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,582,144)	(2,591,218)	(1,340,395)	1,250,823
Fund balances, beginning	1,700,000	3,122,208	3,122,208	-
Fund balances, ending	\$ 117,856	\$ 530,990	\$ 1,781,813	\$ 1,250,823

CITY OF HAMMOND
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Sales and use tax	\$ 19,000,000	\$ 20,000,000	\$ 20,925,442	\$ 925,442
Interest	5,000	5,000	30,847	25,847
TOTAL REVENUES	19,005,000	20,005,000	20,956,289	951,289
EXPENDITURES				
General government	103,000	380,771	-	380,771
Capital outlay	1,599,000	1,599,000	223,546	1,375,454
TOTAL EXPENDITURES	1,702,000	1,979,771	223,546	1,756,225
Excess (deficiency) of revenues over expenditures	17,303,000	18,025,229	20,732,743	2,707,514
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	<u>(17,632,808)</u>	<u>(17,632,808)</u>	<u>(19,231,808)</u>	<u>(1,599,000)</u>
Total other financing sources (uses)	<u>(17,632,808)</u>	<u>(17,632,808)</u>	<u>(19,231,808)</u>	<u>(1,599,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(329,808)	392,421	1,500,935	1,108,514
Fund balances, beginning	434,638	525,618	525,618	-
Fund balances, ending	<u>\$ 104,830</u>	<u>\$ 918,039</u>	<u>\$ 2,026,553</u>	<u>\$ 1,108,514</u>

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year	Employer's Proportion Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>MERS:</u>					
06/30/17	2.455715%	\$ 10,065,265	\$ 4,199,499	239.7%	63.34%
06/30/16	2.514572%	\$ 8,982,445	\$ 4,468,956	201.0%	66.18%
06/30/15	2.699160%	\$ 6,927,245	\$ 4,275,923	162.0%	73.99%
06/30/14	2.611295%	\$ 8,093,470	\$ 4,444,204	182.0%	67.97%
<u>MPERS:</u>					
06/30/17	1.608744%	\$ 15,078,464	\$ 4,402,969	342.5%	66.04%
06/30/16	1.613473%	\$ 12,639,874	\$ 4,494,371	281.2%	72.45%
06/30/15	1.632231%	\$ 10,211,371	\$ 4,196,926	243.3%	75.10%
06/30/14	1.481807%	\$ 7,094,023	\$ 4,145,038	171.1%	66.71%
<u>FRS:</u>					
06/30/17	1.282697%	\$ 8,389,998	\$ 2,939,516	285.4%	68.16%
06/30/16	1.266194%	\$ 6,833,791	\$ 2,892,198	236.3%	70.73%
06/30/15	1.312037%	\$ 5,838,451	\$ 2,701,872	216.1%	76.02%
06/30/14	1.367605%	\$ 11,837,312	\$ 2,790,409	424.2%	70.73%

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

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
<u>MERS:</u>					
06/30/17	\$ 945,884	\$ 945,884	\$ -	\$ 4,199,499	22.52%
06/30/16	\$ 842,921	\$ 842,921	\$ -	\$ 4,468,956	18.86%
06/30/15	\$ 848,818	\$ 848,818	\$ -	\$ 4,275,923	19.85%
06/30/14	\$ 833,288	\$ 833,288	\$ -	\$ 4,444,204	18.75%
<u>MPERS:</u>					
06/30/17	\$ 1,381,609	\$ 1,381,609	\$ -	\$ 4,402,969	31.38%
06/30/16	\$ 1,293,167	\$ 1,293,167	\$ -	\$ 4,494,371	28.77%
06/30/15	\$ 1,345,133	\$ 1,345,133	\$ -	\$ 4,196,926	32.05%
06/30/14	\$ 1,284,962	\$ 1,284,962	\$ -	\$ 4,145,038	31.00%
<u>FRS:</u>					
06/30/17	\$ 746,071	\$ 746,071	\$ -	\$ 2,939,516	25.38%
06/30/16	\$ 765,146	\$ 765,146	\$ -	\$ 2,892,198	26.46%
06/30/15	\$ 788,781	\$ 788,781	\$ -	\$ 2,701,872	29.20%
06/30/14	\$ 788,291	\$ 788,291	\$ -	\$ 2,790,409	28.25%

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

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FUNDING PROGRESS FOR
THE CITY'S OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2017, 2016, AND 2015

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
06/30/15	07/01/2014	\$ -	\$ 1,665,195	\$ 1,665,195	0%	\$12,980,133	13%
06/30/16	07/01/2014	-	1,731,803	1,731,803	0%	13,782,360	13%
06/30/17	07/01/2016	-	1,918,023	1,918,023	0%	13,164,015	15%

The actuarial valuation date differs from the financial reporting date. The actuarial valuations are as of the beginning of the fiscal year. An actuarial valuation is only required biennially.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMMOND, LOUISIANA
*SCHEDULE OF COMPENSATION PAID TO THE CITY COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2017*

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Johnny Blount	City Council – District 1	\$ 12,900
Jason Hood	City Council – District 2	12,900
Janice Beard	City Council – District 3	12,900
Lemar Marshall	City Council – District 4	12,900
Michael Williams	City Council – District 5	<u>12,900</u>
		<u>\$ 64,500</u>

The schedule of compensation paid to the City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members is \$1,000 per month as well as a \$75 cell phone allowance.

CITY OF HAMMOND, LOUISIANA
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
 FOR THE YEAR ENDED JUNE 30, 2017

Purpose:	Mayor Pete Panepinto
Salary	\$ 75,500
Benefits - Health Insurance	6,348
Benefits – Retirement	17,176
Benefits – Life Insurance	72
Benefits – Dental	289
Benefits – Long-term Disability	483
Car allowance	6,000
Cell phone	900
Dues	250
Registration fees	635
Conference travel	<u>439</u>
Total	<u><u>\$ 108,092</u></u>

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

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

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

To the Honorable Pete Panepinto, Mayor
and Members of the City Council
City of Hammond, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2017. Our report includes a reference to other auditors who audited the financial statements of the Marshal's Office – City Court of Hammond, Louisiana and the City Court of Hammond, Louisiana, as described in our report of the City of Hammond's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Hammond's Response to Findings

The City of Hammond's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 12, 2017

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

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

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

To the Honorable Pete Panepinto, Mayor
and Members of the City Council
City of Hammond, Louisiana

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 12, 2017

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal CFDA Number	Grant Number		Expenditures
---------------------------	-----------------	--	--------------

MAJOR FEDERAL AWARDS

U.S. Department of Transportation

Passed through the State of Louisiana Department of Transportation:

20.106	3-22-0018-0019-2016	Airport Improvement Program	\$ 2,120,935
20.106	3-22-0018-015-2015	Airport Improvement Program	<u>107,813</u>
Total Department of Transportation			<u>2,228,748</u>
TOTAL MAJOR FEDERAL AWARD EXPENDITURES			2,228,748

NONMAJOR FEDERAL AWARDS

U.S. Department of Agriculture

Direct Program:

10.923	68-7217-17-203	Emergency Watershed Protection Program	33,675
--------	----------------	----------------------------------------	--------

Passed through Delta Regional Authority:

10.773	LA-12233	Rural Business Opportunity Grant	<u>105,247</u>
Total Department of Agriculture			138,922

U.S. Department of Interior

Passed through the State of Louisiana Department of Culture, Recreation, and Tourism:

15.904	16-HP-10 CLG	Historic Preservation Fund Grants-In-Aid	<u>20,000</u>
Total Department of Interior			20,000

U.S. Department of Homeland Security

Direct Program:

97.036		Disaster Grants – Public Assistance (Presidentially Declared Disasters)	<u>17,340</u>
Total Department of Homeland Security			17,340

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2017

Federal CFDA Number	Grant Number		Expenditures
U.S. Department of Justice			
Direct Program:			
16.607	BA-2000S-SX01	Bulletproof Vest Partnership Program	9,044
16.738	2015-DJ-BX-0629	Edward Byrne Memorial Justice Assistance Grant Program	4,915
16.738	2016-DJ-BX-0629	Edward Byrne Memorial Justice Assistance Grant Program	<u>22,571</u>
			36,530
Passed through the State of Louisiana Commission on Law Enforcement:			
16.738	2015-MU-BX-0471	Edward Byrne Memorial Justice Assistance Grant Program	<u>5,752</u>
		Total Department of Justice	42,282
U.S. Department of Transportation			
Passed through the State of Louisiana Highway Safety Commission:			
20.205	2016-30-21	Highway Planning and Construction	5,553
20.600	2017-30-25	State and Community Highway Safety	18,604
20.600	2016-30-21	State and Community Highway Safety	3,136
20.608	2016-30-21	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	11,406
20.608	2017-30-25	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	<u>11,053</u>
		Total Department of Transportation	49,752
U.S. Department of Housing and Urban Development			
Passed through the State of Louisiana Division of Administration Office of Community Development:			
14.228	B-10-DC-22-001	Community Development Block Grants	<u>15,073</u>
		Total Department of Housing and Urban Development	15,073
U.S. Executive Office of the President			
Direct Program:			
95.001		High Intensity Drug Trafficking Areas Program	<u>8,378</u>
		Total Executive Office of the President	8,378

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2017

Federal CFDA Number	Grant Number		Expenditures
 U.S. Environmental Protection Agency			
Passed through the State of Louisiana Department of Environmental Quality:			
66.125	BR-01F22601	Lake Pontchartrain Basin Restoration Program	<u>55,000</u>
		Total Environmental Protection Agency	<u>55,000</u>
		TOTAL NONMAJOR FEDERAL AWARD EXPENDITURES	<u>346,747</u>
		TOTAL FEDERAL AWARD EXPENDITURES	<u>\$ 2,575,495</u>

CITY OF HAMMOND, LOUISIANA
*NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION:

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the City, it is not indented to and does not present the net position and changes in net position of the City. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DETERMINATION OF TYPE A AND TYPE B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the year ended June 30, 2017, Type A programs consist of the federal programs that expended over \$750,000 and Type B programs are the programs that expended under \$750,000.

3. LOAN ASSISTANCE:

The City had an outstanding loan with continuing compliance requirements at June 30, 2017 with the state of Louisiana Clean Water State Revolving Fund, CFDA number 66.458. The City's federal portion of the net loan balance with continuing compliance requirements at June 30, 2017 was \$1,006,117.

4. DE MINIMIS COST RATE:

During the year ended June 30, 2017, the City did not elect to use the 10% de minimis cost rate as covered in Section 200.414 of the Uniform Guidance.

5. SUBRECIPIENTS:

The City did not pass-through any of its federal awards to a subrecipient during the year ended June 30, 2017.

6. NON-CASH ASSISTANCE:

No federal awards were expended in the form of non-cash assistance during the year ended June 30, 2017.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee Qualified as Low-Risk Auditee? Yes No

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency:

2017-001

Criteria:

Management is responsible for designing, implementing, and maintaining effective internal controls to prevent and detect misstatements, whether caused by error or fraud.

Condition:

During audit procedures, we noted various conditions related to the City's credit cards, fuel cards and p-cards. These are listed below:

- The City did not have an adequate credit card, fuel card and p-card policy to enable it to prevent and detect potential misstatements and misuse.
- The City had a significant number of active fuel cards that were not utilized during the year.
- Some purchases made on City credit cards did not have adequate documentation of the business purpose of the expenditure and/or were not supported by original itemized receipts.
- The City did not have procedures in place to reconcile credit card, fuel card and p-card statements timely, resulting in the payment of late fees and finance charges on some statements. Late fees and finance charges were minimal.

Cause:

Management did not have adequate policies and procedures in place and the policies and procedures that were in place were not implemented.

Effect:

The conditions shown above represent a significant deficiency in internal control which could result in abuse and the misappropriation of assets.

Recommendation:

We recommend the City revise its policies and procedures over credit cards, fuel cards and p-cards, perform reconciliations of the statements in a timely manner, obtain all required documentation during the reconciliation process, and reduce the number of active cards that are not in use.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Significant Deficiency (continued):

2017-001 (continued)

Management's Response:

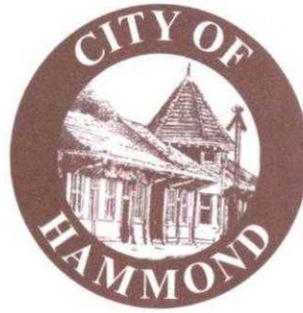
Management concurred with the recommendation. They have provided us with the revised credit card, fuel card and p-card policies and procedures and reduced the number of active fuel cards. See management's corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>RESOLUTION</u>
SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
None noted.	
SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
None noted.	
SECTION III - MANAGEMENT LETTER	
None issued.	



Pete Panepinto
Mayor

December 12, 2017

Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70802

Dear Mr. Purpera,

This letter submitted in response to the finding noted by our auditors Kushner LaGraize, LLC, during the fiscal year 2016-2017 audit for City of Hammond.

Significant Deficiency:

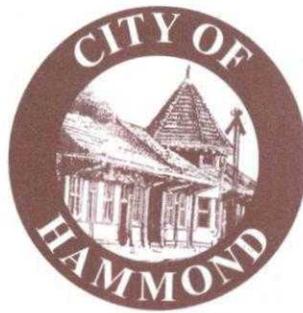
2017-001

During audit procedures, we noted various conditions related to city's credit cards, fuel cards and p-cards. These are listed below:

- The city did not have an adequate credit card, fuel card and p-card policy to enable it to prevent and detect potential misstatements and misuse.
- The city had a significant number of active fuel cards that were not utilized during the year.
- Some purchases made on credit cards did not have adequate documentation of business purpose of the expenditure and/or were not supported by original itemized receipts.
- The city did not have procedures in place to reconcile credit card, fuel card and p-card statements timely, resulting in payment of late fees and finance charges on some statements. Late fee and finance charges were minimal.

Recommendation:

We recommend the city revised its policies and procedures over credit cards, fuel cards and p-cards, perform reconciliations of the statements in a timely manner, obtain all required documentation during the reconciliation process, and reduce the number of active cards that are not in use.



Pete Panepinto
Mayor

Response:

We have implemented new policies and procedures to 1) ensure credit cards are secured in a locked area, 2) use of credit cards is permitted only when necessary, 3) maintain all required documentation and process the statement timely to avoid late fees and penalties. We have also canceled all unused cards and all late fees have been waived by the credit card company.

Sincerely,

A handwritten signature in blue ink that reads "Syeda".

Syeda Naeem
Director of Finance

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

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

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Pete Panepinto, Mayor of the City of Hammond, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the City of Hammond (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

I. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

We obtained the entity's policies on budgeting and noted no exceptions.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We obtained the entity's policies on purchasing and noted no exceptions.

c) **Disbursements**, including processing, reviewing, and approving.

We obtained the entity's policies on disbursements and noted no exceptions.

- d) **Receipts**, including receiving, recording, and preparing deposits.
We obtained the entity's policies on receipts and noted no exceptions.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
We obtained the entity's payroll and personnel policies and noted no exceptions.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
We obtained the entity's policies on contracting and noted no exceptions.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
We obtained the entity's policies on credit cards and noted that it did not contain the elements noted above. We reported this to management and by the end of fieldwork, the entity provided a revised credit card policy that contained the elements listed above, without exception.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
We obtained the entity's policies on travel and expense reimbursements and noted no exceptions.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
Note: Ethics requirements are not applicable to nonprofits.
We noted that the entity did not have a policy on ethics. We reported this to management and by the end of fieldwork, the entity provided an ethics policy that contained the elements listed above, without exception.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
We noted that the entity did not have a policy on debt service. We reported this to management and by the end of fieldwork, the entity provided an debt service policy that contained the elements listed above, without exception.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The City Council of the City of Hammond met bi-monthly, with a quorum present at each meeting.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Included in the minutes of each meeting was a budget to actual comparison of the general fund and any other funds considered to be major funds.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

N/A – we noted no deficit spending or fund balance deficits.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We noted the minutes included non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We were provided with the listing showing 6 deposit accounts.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We were provided with reconciliations for each account for every month of the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We noted the Finance Director's approval on each of the reconciliations provided.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We noted items outstanding for more than 6 months at the end of the fiscal period. Management provided us with documentation showing that it has researched these items.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the listing, showing one collection location.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided the documentation for the selected location. No exceptions were noted.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Management provided the documentation for the selected location. No exceptions were noted.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. We noted that all deposits were made within one day of collection, without exception.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Management provided the required documentation for the selected deposits. We noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Management provided the policy manual containing a process to determine completeness of collections. We noted no exceptions with this policy.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the general ledger. We filtered for disbursements and removed credit card/debit card/fuel card/P-card purchases.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Each selection, other than monthly recurring bills, were initiated using the entity's purchase order system, without exception.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Each selection showed evidence of approval by a person who did not initiate the purchase, without exception.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All appropriate documentation was provided for each selection, without exception.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We obtained the required documentation and noted that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We obtained the required documentation and noted that the persons with signatory authority do not have access to the purchasing system.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We noted the persons with signatory authority do not have access to the purchasing system and do not have the ability to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Per discussion with entity personnel, signature stamps are used with prior approval from the signer. Documentation of this approval is not maintained.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the required listing. For fuel cards, we noted a significant number of cards. Entity policy assigns each unit (police, fire, government vehicles & large equipment) a fuel card.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.])

We noted evidence on each statement provided that it was approved by someone other than the authorized card holder, without exception.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

We noted no finance charges and/or late fees on the statements provided, without exception.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Of the 10 cards selected, we noted 3 transactions without original itemized receipts. We brought this to the attention of management, who subsequently provided all original, itemized receipts, without exception.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Of the 10 cards selected, 7 statements did not contain adequate documentation supporting the business/public purpose for conference and/or training expenses paid directly by the entity (i.e. conference and/or training agendas). We brought this to the attention of management, who subsequently provided documentation for the business/public purpose for all such transactions.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The entity did not have formal policies requiring specific documentation for credit card, fuel card or p-card purchases. We reported this to management and by the end of fieldwork, the entity provided a revised credit card, fuel card and p-card policy that contained the required elements.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Of the selected transactions, we compared to the entity's purchasing/disbursement policies, and noted the following exceptions:

- *Purchase orders were not created for purchases made via credit cards.*
 - *Some purchases made via credit cards did not have itemized receipts. We brought this to the attention of management, who subsequently provided all itemized receipts.*
 - *Many purchases made via credit cards did not have adequate documentation of business/public purpose, as required by City policy.*
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Management provided their written policies and we noted no amounts that exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We noted no exceptions with the entity's written policies for the selected transactions.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We were provided with an original itemized receipt for each of the selected transactions, without exception.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

We noted documentation of the business/public purpose on each of the selected transactions, without exception.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We noted all required documentation was provided with each of the selected transactions, without exception.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted that all selected transactions showed evidence of review and approval by someone other than the person receiving the reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We were provided with formal/written contracts for each selection, without exception.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

All of the selected contracts were subject to the Louisiana Public Bid Law and Procurement Code. No exceptions were noted with legal requirements pertaining to each contract.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

N/A

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We noted two contracts were amended out of the five selected. One contract was amended by \$171,949 to increase the contract value to \$4,019,104. Another contract was amended by \$5,766 to increase the contract value to \$589,455. We noted both of these amendments were allowable under the original contract terms.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We noted no exceptions in the selected invoices.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We noted City Council approval on all selected contracts, without exception.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Of the selected employees/officials, we noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

All changes noted in our selection were approved in writing and in accordance with the entity's written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Of the selected employees, we noted no exceptions related to documentation of daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisory approvals were noted on all selections, without exception.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written leave records were noted for all selections, without exception.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We obtained the requested list from management. We noted no termination payments made for the period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We noted one instance in which the federal portion of the payroll tax deposit was remitted one day late. As such, the City incurred a penalty from the IRS in the amount of \$2,029. Other than this instance, we noted no other exceptions.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

We obtained the required ethics training documentation on the five selections, without exception.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per management, there were no ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

N/A – no debt was issued.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Management provided the requested documentation. We noted all debt service payments were made on time and no exceptions regarding debt reserves.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

N/A – no tax millages were related to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per management, there were no funds or assets misappropriated during the period.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We viewed the notice required by R.S. 24:523.1 posted on the entity's premise and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

N/A – no exceptions noted.

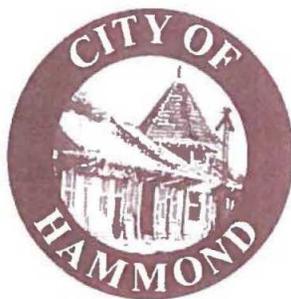
We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Management has responded, see attached.

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

Kushner LaGraize, L.L.C.

December 12, 2017
Metairie, Louisiana



Pete Panepinto
Mayor

December 12, 2017

Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70802

Dear Mr. Purpera,

This letter submitted in response to the agreed-upon procedures findings noted by our auditors Kushner LaGraize, LLC, during the fiscal year 2016-2017 audit for City of Hammond.

Responses to following agreed upon procedure section:

1. Written policies and procedures for items G, I, and J:

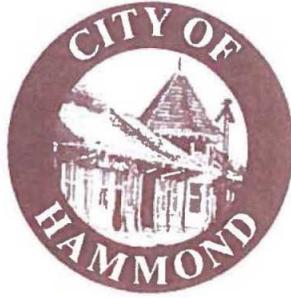
- We revised and updated the policies and procedures for using City credit cards.
- We formalized the ethics procedures that were being used and further detailed the ethics policies that were originally adopted by the City Council in 1978.
- We updated the bond and debt service policy as outlined in the City charter and detailed the procedures used for debt service.

13. Disbursements:

Signature stamps were used with prior approval from the signer, but we implemented a new policy to ensure the approval is documented. The signer must provide written approval for the use of the signature stamp and such approval must include the date, time, and purpose of the transaction (e.g., grant documentation, payroll checks, or water utility refund checks for closed accounts). One original signature is always required for checks.

14. Fuel Cards:

We have cancelled all unused fuel cards. All active cards are controlled through the use of unique pin numbers assigned to individual employees, supervisor sign-out procedures, duplicate receipt procedures, and monthly reconciliation reports.



Pete Panepinto
Mayor

16. Credit Card:

A: As required by current policy and procedures, an original itemized receipt is required for all purchases. All meal charges must include an itemized receipt, the business purpose, and a list of individuals who attended the meeting. These policies have been reiterated to all City staff.

B: We revised the policies and procedures to ensure all credit card purchases have the required appropriate supporting documentation attached to the statement.

25. We implemented procedures to ensure payroll taxes are remitted timely. We have assigned payment responsibility to a Senior Accountant with secondary review provided by the finance department.

Sincerely,

A handwritten signature in blue ink, appearing to read "Syeda Naeem".

Syeda Naeem
Director of Finance