

**CITY OF PONCHATOULA, LOUISIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**City of Ponchatoula, Louisiana**  
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For the Year Ended June 30, 2017

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of June 30, 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, the budgetary comparison information, the schedules of the City's proportionate share of the net pension liability, and the schedules of City contributions on pages 5 – 12, 55 – 56, 57 – 59, and 60 – 62, respectively, 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 Ponchatoula, Louisiana's basic financial statements. The Combining and Individual Non-Major Fund Financial Statements; the Schedule of Compensation of Paid Elected Officials; and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Combining and Individual Non-Major Fund Financial Statements; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Non-Major Fund Financial Statements; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Ponchatoula, Louisiana

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ponchatoula, Louisiana's internal control over financial reporting and compliance.

*James Lambert Riggs  
& Associates*

James, Lambert, Riggs and Associates, Inc.

Hammond, Louisiana  
October 3, 2017

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

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

As management of the City of Ponchatoula, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

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

### **Overview of the Financial Statements**

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

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

#### **1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

- A. The Statement of Net Position presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening.

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**

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

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

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

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

**Government-Wide Financial Analysis**

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

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 10,739,491	\$ 9,367,319	\$ 1,372,172	14.65%
Capital Assets	18,843,500	17,409,904	1,433,596	8.23%
<b>Total Assets</b>	<u>\$ 29,582,991</u>	<u>\$ 26,777,223</u>	<u>\$ 2,805,768</u>	10.48%
<b>Deferred Outflows of Resources</b>	<u>\$ 2,055,592</u>	<u>\$ 1,196,312</u>	<u>\$ 859,280</u>	71.83%
<b>Liabilities</b>				
Current Liabilities	\$ 915,963	\$ 671,020	\$ 244,943	36.50%
Long-Term Liabilities	57,425	13,483	43,942	325.91%
Net Pension Liability	5,411,091	4,292,407	1,118,684	26.06%
<b>Total Liabilities</b>	<u>\$ 6,384,479</u>	<u>\$ 4,976,910</u>	<u>\$ 1,407,569</u>	28.28%
<b>Deferred Inflows of Resources</b>	<u>\$ 145,453</u>	<u>\$ 203,095</u>	<u>\$ (57,642)</u>	-28.38%
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 18,786,075	\$ 17,396,421	\$ 1,389,654	7.99%
Restricted Net Position	2,653,599	2,358,861	294,738	12.49%
Unrestricted Net Position	3,668,977	3,038,248	630,729	20.76%
<b>Total Net Position</b>	<u>\$ 25,108,651</u>	<u>\$ 22,793,530</u>	<u>\$ 2,315,121</u>	10.16%

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$25,108,651 (net position), an increase of \$2,315,121 over last year. Of the total amount, \$3,668,977 is unrestricted net position. The City's net position is comprised of \$11,684,532 from governmental activities and \$13,424,119 from business-type activities, as shown on Exhibit A.

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**

By far the largest portion of the City's net position (74.82%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.57%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,668,977 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$ 2,265,465	\$ 1,936,034	\$ 329,431	17.02%
Grants and Contributions	1,030,832	799,128	231,704	28.99%
General Revenues:				
Taxes	5,927,568	5,493,303	434,265	7.91%
Other	<u>1,784,732</u>	<u>1,468,969</u>	<u>315,763</u>	21.50%
<b>Total Revenues</b>	<b>11,008,597</b>	<b>9,697,434</b>	<b>1,311,163</b>	<b>13.52%</b>
<b>Expenses:</b>				
Governmental Activities	7,416,621	6,378,084	1,038,537	16.28%
Business-Type Activities	<u>1,380,442</u>	<u>1,231,554</u>	<u>148,888</u>	12.09%
<b>Total Expenses</b>	<b><u>8,797,063</u></b>	<b><u>7,609,638</u></b>	<b><u>1,187,425</u></b>	<b>15.60%</b>
<b>Change in Net Position</b>	<b>2,211,534</b>	<b>2,087,796</b>	<b>123,738</b>	<b>5.93%</b>
<b>Net Position:</b>				
Beginning of the Year, Original	22,793,529	20,705,734	2,087,795	10.08%
Prior Period Adjustment	<u>103,588</u>	<u>-</u>	<u>103,588</u>	-
Beginning of the Year, Restated	<u>22,897,117</u>	<u>20,705,734</u>	<u>2,191,383</u>	10.58%
End of the Year	<b><u>\$ 25,108,651</u></b>	<b><u>\$ 22,793,530</u></b>	<b><u>\$ 2,315,121</u></b>	<b>10.16%</b>

Sales Taxes increased by \$435,503. Other general revenues increased by \$315,763. This was due to increases in miscellaneous revenues of \$334,719 and decrease in intergovernmental revenues \$76,374, respectively. A partial reason for this is that the City no longer has an intergovernmental agreement with Tangipahoa Parish Rural Fire District No. 2.

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**

**Governmental Activities**

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

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

<u>Governmental Expenditures</u>	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 1,268,859	17.11%
Public Safety	3,704,184	49.94%
Public Works	1,979,129	26.69%
Cemetery	34,196	0.46%
Culture and Recreation	302,183	4.07%
Community Development	15,967	0.22%
Public Transportation	28,813	0.39%
Miscellaneous Programs	77,257	1.04%
Debt Service Interest	6,033	0.08%
<b>Total Governmental Activities</b>	<b>\$ 7,416,621</b>	<b>100.00%</b>

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

<u>Governmental Revenues</u>	<u>Amount</u>	<u>Percentage</u>
Sales Taxes	\$ 5,061,067	66.97%
Property Taxes	866,501	11.47%
Licenses, Permits, and Fees	921,689	12.20%
Intergovernmental Revenues	187,324	2.48%
Miscellaneous	487,161	6.45%
Gain / (Loss) on Disposition of Assets	33,825	0.45%
<b>Total Governmental Activities</b>	<b>\$ 7,557,567</b>	<b>100.00%</b>

Sales taxes are the largest revenue source for the City comprising 66.97% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 11.47% of total general governmental revenue.

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**

For the year ended June 30, 2017, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for policemen pay, firemen pay, and to purchase equipment for both departments.

	2017 Taxes		2016 Taxes	
	Levied	Mills	Levied	Mills
General Fund	\$ 343,476	6.52	\$ 342,880	6.52
Policemen Pay Millage Fund	316,082	6.00	315,534	6.00
Firemen Pay Millage Fund	105,361	2.00	105,178	2.00
Equipment Millage Fund	105,361	2.00	105,178	2.00
<b>Total Property Taxes Levied</b>	<b>\$ 870,280</b>	<b>16.52</b>	<b>\$ 868,770</b>	<b>16.52</b>

**Business-Type Activities**

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

<u>Charges for Services</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2017	\$ 947,269	\$ 349,225
Fiscal Year Ended June 30, 2016	922,501	326,809
<b>Increase (Decrease) Between Years</b>	<b>\$ 24,768</b>	<b>\$ 22,416</b>

<u>Operating Expenses</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2017	\$ 898,945	\$ 481,497
Fiscal Year Ended June 30, 2016	824,543	407,011
<b>(Decrease) Increase Between Years</b>	<b>\$ 74,402</b>	<b>\$ 74,486</b>

**2. FUND FINANCIAL STATEMENTS**

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

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

**City of Ponchatoula, Louisiana**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2017**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Exhibits D and F.

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

**Financial Analysis of the Governmental Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,851,601, an increase of \$847,495 over June 30, 2016. In the General Fund, the unassigned fund balance is \$4,198,002, as shown on Exhibit C.

At June 30, 2017, the City had a fund balance of \$2,387,533 in the 1965 Sales Tax Fund to provide for constructing, acquiring, extending, improving, and / or maintaining drainage facilities, streets, sidewalks, public buildings; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements, and facilities; and maintaining and operating garbage collection facilities.

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

**Fund Balance in the City's Major Funds:**

<u>Fund Balance Date</u>	<u>General Fund</u>	<u>1965 Sales Tax Fund</u>
June 30, 2017	\$ 4,198,002	\$ 2,387,533
June 30, 2016	3,645,245	2,139,826
<b>Change in Fund Balance</b>	<u>\$ 552,757</u>	<u>\$ 247,707</u>

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

- B. Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the

**City of Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017

government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on Exhibits G, H and I.

### 3. NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on the pages indicated in the table of contents.

### 4. SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and certain other supplementary information. Required supplementary information can be found on Schedules 1, 2, 3-A, 3-B, 3-C, 4-A, 4-B, and 4-C of this report.

A. Budgetary Comparison Information – The City adopts an annual appropriated budget for its general fund, sales tax fund, and millage funds for police and fire department pay, as well as for equipment for both departments. A budgetary comparison statement has been provided for the City's major funds to demonstrate compliance, on Schedules 1 and 2.

B. Significant variations from the general fund's original budget amounts and final budget amounts are as follows:

- Intergovernmental revenues were decreased by \$157,044 due to a decrease in revenue from Tangipahoa Parish Rural Fire Protection District #2.
- Public Works expenditures were increased by \$51,114 due to an increase in various expected expenditures.

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

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

### Capital Asset and Debt Administration

#### 1. CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation, as of June 30, 2017, in its governmental activities is \$8,304,981 and in business-type activities is \$10,538,519, which totals \$18,843,500 for the City. Capital assets include land, construction in progress, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City's net capital assets for the current fiscal year was a \$232,584 increase for governmental activities and a \$1,201,012 increase for business-type activities.

**City of Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017

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

- A. City Hall Hardening Project totaling \$218,758.
- B. Completed Water Tower at Athletic Park – Painting and Repairs \$712,621.
- C. Hickory Street Parking Lot \$481,204.
- D. Rehabilitation to the Sewer Treatment Facility \$1,112,881.
- E. 3 year lease agreement for 5 Police Vehicles \$133,360.
- F. Water Chlorination Monitoring System \$32,049.

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

## **2. LONG-TERM DEBT**

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

## **3. CAPITAL LEASES**

At the end of the current fiscal year, the City had capital leases outstanding of \$100,649. The entire amount of the leases was used to purchase new police vehicles. Additional information concerning this lease can be found in Note 9.

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

The following factors were considered in preparing the City's budget for the 2018 fiscal year:

- Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing fiscal year 2017's collections, it was noted that overall receipts were \$1,311,163 over prior year's revenues. Projected collections for fiscal year 2018 including sales tax from Wal-Mart, were increased by \$420,000.
- During the budget planning process, funds have been designated for certain capital outlays. Those outlays include funds for continued improvements to the City's sewer and water infrastructure.
- Also included for Capital Improvements were monies for Phase III of the Pedestrian Sidewalk – North 5<sup>th</sup> to Wayne project and the renovations of the new Law Enforcement Complex (old Ponchatoula Homestead / First Guaranty Bank Building) and Phase II & Phase III of the Wastewater Treatment Project. Also included were monies for LED Lighting for Highway 55, Highway 22 East, and Highway 51.

## **Requests for Information**

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

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

**City of Ponchatoula, Louisiana**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash & Cash Equivalents	\$ 4,209,376	\$ 2,800,225	\$ 7,009,601
Investments	2,052,375	177,073	2,229,448
Receivables, Net	1,059,299	127,167	1,186,466
Internal Balances	53,680	(53,680)	-
Restricted Cash and Cash Equivalents	-	104,170	104,170
Restricted Investments	-	209,806	209,806
Capital Assets, Net	8,304,981	10,538,519	18,843,500
<b>Total Assets</b>	<b>\$ 15,679,711</b>	<b>\$ 13,903,280</b>	<b>\$ 29,582,991</b>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$ 6,906	\$ 1,718	\$ 8,624
Changes in Assumptions	382,944	51,340	434,284
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	789,337	10,437	799,774
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	266,729	3	266,732
City Contributions Subsequent to the Measurement Date	524,975	21,203	546,178
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,970,891</b>	<b>\$ 84,701</b>	<b>\$ 2,055,592</b>
<b>Liabilities</b>			
Accounts Payable	\$ 422,476	\$ 23,017	\$ 445,493
Accrued Liabilities	100,653	12,617	113,270
Non-Current Liabilities:			
Due Within One Year	43,224	-	43,224
Due in More Than One Year	57,425	-	57,425
Payable from Restricted Assets:			
Utility Meter Deposits	-	313,976	313,976
Net Pension Liability	5,201,637	209,454	5,411,091
<b>Total Liabilities</b>	<b>\$ 5,825,415</b>	<b>\$ 559,064</b>	<b>\$ 6,384,479</b>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$ 102,480	\$ 3,026	\$ 105,506
Changes of Assumptions	456	-	456
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	37,719	1,772	39,491
<b>Total Deferred Inflows of Resources</b>	<b>\$ 140,655</b>	<b>\$ 4,798</b>	<b>\$ 145,453</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 8,247,556	\$ 10,538,519	\$ 18,786,075
Restricted for:			
Cemetery / Mausoleum	83,657	-	83,657
Dedicated Sales Tax Usage	2,387,533	-	2,387,533
Dedicated Ad Valorem Tax Usage	182,409	-	182,409
Unrestricted	783,377	2,885,600	3,668,977
<b>Total Net Assets</b>	<b>\$ 11,684,532</b>	<b>\$ 13,424,119</b>	<b>\$ 25,108,651</b>

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

**City of Ponchatoula, Louisiana**  
**Statement of Activities**  
For the Year Ending June 30, 2017

**Exhibit B**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,268,859	\$ -	\$ -	\$ -	\$ (1,268,859)	\$ -	\$ (1,268,859)
Public Safety	3,704,184	428,632	24,462	-	(3,251,090)	-	(3,251,090)
Public Works	1,979,129	540,339	-	-	(1,438,790)	-	(1,438,790)
Cemetery	34,196	-	-	-	(34,196)	-	(34,196)
Culture and Recreation	302,183	-	-	6,370	(295,813)	-	(295,813)
Community Development	15,967	-	-	-	(15,967)	-	(15,967)
Public Transportation	28,813	-	-	-	(28,813)	-	(28,813)
Miscellaneous Programs	77,257	-	-	-	(77,257)	-	(77,257)
Debt Service Interest	6,033	-	-	-	(6,033)	-	(6,033)
<b>Total Governmental Activities</b>	<b>7,416,621</b>	<b>968,971</b>	<b>24,462</b>	<b>6,370</b>	<b>(6,416,818)</b>	<b>-</b>	<b>(6,416,818)</b>
<b>Business-Type Activities:</b>							
Sewer	898,945	947,269	-	1,000,000	-	1,048,324	1,048,324
Water	481,497	349,225	-	-	-	(132,272)	(132,272)
<b>Total Business-Type Activities</b>	<b>1,380,442</b>	<b>1,296,494</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>916,052</b>	<b>916,052</b>
<b>Total</b>	<b>\$ 8,797,063</b>	<b>\$ 2,265,465</b>	<b>\$ 24,462</b>	<b>\$ 1,006,370</b>	<b>(6,416,818)</b>	<b>916,052</b>	<b>(5,500,766)</b>
<b>General Revenues:</b>							
Sales Taxes					5,061,067	-	5,061,067
Property Taxes					866,501	-	866,501
Licenses, Permits, and Fees					921,689	-	921,689
Intergovernmental Revenues					187,324	-	187,324
Miscellaneous					487,161	20,932	508,093
Revenue from Non-Employer Contributions					127,580	6,221	133,801
Interfund Transfers					(406,281)	406,281	-
Gain / (Loss) on Disposition of Assets					33,825	-	33,825
<b>Total General Revenues</b>					<b>7,278,866</b>	<b>433,434</b>	<b>7,712,300</b>
<b>Change in Net Position</b>					<b>862,048</b>	<b>1,349,486</b>	<b>2,211,534</b>
<b>Net Position - Beginning of the Year, Originally Stated</b>					<b>10,822,484</b>	<b>11,971,045</b>	<b>22,793,529</b>
<b>Prior Period Adjustment</b>					<b>-</b>	<b>103,588</b>	<b>103,588</b>
<b>Net Position - Beginning of the Year, Restated</b>					<b>10,822,484</b>	<b>12,074,633</b>	<b>22,897,117</b>
<b>Net Position - End of the Year</b>					<b>\$ 11,684,532</b>	<b>\$ 13,424,119</b>	<b>\$ 25,108,651</b>

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

**Basic Financial Statements –  
Fund Financial Statements**

**City of Ponchatoula, Louisiana**  
**Balance Sheet – Governmental Funds**  
**June 30, 2017**

**Exhibit C**

	<u>General Fund</u>	<u>Special Revenue Fund 1965 Sales Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,895,130	\$ 1,143,082	\$ 171,164	\$ 4,209,376
Investments	1,183,774	800,138	68,463	2,052,375
Receivables, Net				
Sales Taxes	447,220	447,220	-	894,440
Franchise Taxes	67,433	-	-	67,433
Garbage Collection Fees	46,701	-	-	46,701
Other Receivables	50,725	-	-	50,725
Due from Other Funds	<u>53,680</u>	<u>-</u>	<u>26,439</u>	<u>80,119</u>
<b>Total Assets</b>	<u><b>4,744,663</b></u>	<u><b>2,390,440</b></u>	<u><b>266,066</b></u>	<u><b>7,401,169</b></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	419,569	2,907	-	422,476
Accrued Liabilities	100,653	-	-	100,653
Due to Other Funds	<u>26,439</u>	<u>-</u>	<u>-</u>	<u>26,439</u>
<b>Total Liabilities</b>	546,661	2,907	-	549,568
<b>Fund Balance:</b>				
Nonspendable	-	-	55,443	55,443
Restricted, Reported in Special Revenue Funds	-	2,387,533	210,623	2,598,156
Unassigned	<u>4,198,002</u>	<u>-</u>	<u>-</u>	<u>4,198,002</u>
<b>Total Fund Balances</b>	<u><b>4,198,002</b></u>	<u><b>2,387,533</b></u>	<u><b>266,066</b></u>	<u><b>6,851,601</b></u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 4,744,663</b></u>	<u><b>\$ 2,390,440</b></u>	<u><b>\$ 266,066</b></u>	<u><b>\$ 7,401,169</b></u>

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

**City of Ponchatoula, Louisiana**  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Position  
 For the Year Ended June 30, 2017

**Exhibit D**

**Fund Balances - Total Governmental Funds (Exhibit C)** **\$ 6,851,601**

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

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

Governmental Capital Assets	19,597,333
Less: Accumulated Depreciation	(11,292,352)

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

Capital Leases	(100,649)
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability:

Municipal Employees Retirement System of Louisiana	(842,020)
Firefighters' Retirement System of Louisiana	(885,357)
Municipal Police Employees Retirement System of Louisiana	(3,474,260)

Deferred Outflows of Resources:

Differences Between Expected and Actual Experience	6,906
Changes of Assumptions	382,944
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	789,337
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	266,729
City Contributions Subsequent to the Measurement Date	524,975

Deferred Inflows of Resources:

Differences Between Expected and Actual Experience	(102,480)
Changes of Assumptions	(456)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>(37,719)</u>

**Net Position of Governmental Activities (Exhibit A)** **\$ 11,684,532**

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

**City of Ponchatoula, Louisiana**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2017**

**Exhibit E**

	General Fund	Special Revenue Fund 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
Sales Taxes	\$ 2,530,534	\$ 2,530,533	\$ -	\$ 5,061,067
Property Taxes	343,077	-	523,424	866,501
Intergovernmental Revenue	218,156	-	-	218,156
Licenses and Permits	643,302	-	-	643,302
Sanitation Service Fees	540,339	-	-	540,339
Franchise Fees	278,387	-	-	278,387
Fines and Forfeitures	428,632	-	-	428,632
Other Revenues	435,418	-	-	435,418
Interest Income	36,647	13,623	1,473	51,743
<b>Total Revenues</b>	5,454,492	2,544,156	524,897	8,523,545
<b>Expenditures:</b>				
Current:				
General Government	1,392,887	16,449	-	1,409,336
Public Safety	3,245,218	-	140,494	3,385,712
Public Works	1,665,314	-	-	1,665,314
Cemetery	34,196	-	-	34,196
Culture and Recreation	242,758	-	-	242,758
Community Development	5,281	-	-	5,281
Public Transportation	28,813	-	-	28,813
Miscellaneous Programs	549,133	-	-	549,133
Debt Service	68,341	-	48,070	116,411
<b>Total Expenditures</b>	7,231,941	16,449	188,564	7,436,954
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,777,449)	2,527,707	336,333	1,086,591
<b>Other Financing Sources (Uses):</b>				
Proceeds from Capital Assets	-	-	133,360	133,360
Transfers In	2,702,662	-	-	2,702,662
Transfers Out	(406,281)	(2,280,000)	(422,662)	(3,108,943)
Sale of Capital Assets	33,825	-	-	33,825
<b>Total Other Financing Sources (Uses)</b>	2,330,206	(2,280,000)	(289,302)	(239,096)
<b>Change in Fund Balances</b>	552,757	247,707	47,031	847,495
<b>Fund Balances:</b>				
<b>Beginning of the Year</b>	3,645,245	2,139,826	219,035	6,004,106
<b>End of the Year</b>	\$ 4,198,002	\$ 2,387,533	\$ 266,066	\$ 6,851,601

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

**City of Ponchatoula, Louisiana**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances of the Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2017

**Exhibit F**

**Net Change in Fund Balances - Total Governmental Funds (Exhibit D)** \$ 847,495

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged in the current period exceeded capital outlay. 232,584

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities. (195,049)

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

Issuance of Long-Term Debt	(133,360)
Payment of Long-Term Debt	<u>110,378</u>

**Change in Net Position of Governmental Activities (Exhibit B)** \$ 862,048

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

**City of Ponchatoula, Louisiana**  
**Statements of Net Position – Proprietary Funds**  
**June 30, 2017 and 2016**

**Exhibit G**

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	2016
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 2,388,850	\$ 411,375	\$ 2,800,225	\$ 2,541,742
Investments	76,679	100,394	177,073	176,556
Accounts Receivable, Net	85,051	42,116	127,167	94,753
Due from Other Funds	18,050	-	18,050	-
<b>Total Current Assets</b>	<b>2,568,630</b>	<b>553,885</b>	<b>3,122,515</b>	<b>2,813,051</b>
<b>Non-Current Assets:</b>				
<b>Restricted Assets:</b>				
Cash and Cash Equivalents:				
Water Fund - Meter Deposits	-	104,170	104,170	100,033
Investments:				
Water Fund - Meter Deposits	-	209,806	209,806	208,390
<b>Total Restricted Assets</b>	<b>-</b>	<b>313,976</b>	<b>313,976</b>	<b>308,423</b>
<b>Capital Assets:</b>				
Property, Plant, and Equipment, at Cost	10,562,413	6,227,261	16,789,674	14,981,342
Less: Accumulated Depreciation	(4,625,073)	(1,863,073)	(6,488,146)	(6,287,103)
Land	3,170	221,593	224,763	224,763
Construction in Progress	12,228	-	12,228	418,505
<b>Total Capital Assets</b>	<b>5,952,738</b>	<b>4,585,781</b>	<b>10,538,519</b>	<b>9,337,507</b>
<b>Total Assets</b>	<b>\$ 8,521,368</b>	<b>\$ 5,453,642</b>	<b>\$ 13,975,010</b>	<b>\$ 12,458,981</b>
<b>Deferred Outflows of Resources</b>				
Differences Between Expected and Actual Experience	\$ 1,121	\$ 597	\$ 1,718	\$ -
Changes in Assumptions	33,505	17,835	51,340	16,155
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,811	3,626	10,437	26,655
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	2	1	3	3
City Contributions Subsequent to the Measurement Date	13,837	7,366	21,203	18,039
<b>Total Deferred Outflows of Resources</b>	<b>\$ 55,276</b>	<b>\$ 29,425</b>	<b>\$ 84,701</b>	<b>\$ 60,852</b>

(Continued)

**City of Ponchatoula, Louisiana**  
**Statements of Net Position – Proprietary Funds (Continued)**  
**June 30, 2017 and 2016**

**Exhibit G**

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	2016
	<b>Liabilities:</b>			
<b>Current Liabilities (Payable from Current Assets):</b>				
Accounts Payable	\$ 23,017	\$ -	\$ 23,017	\$ -
Accrued Liabilities	11,867	750	12,617	4,934
Due to Other Funds	34,955	36,775	71,730	51,740
<b>Total Current Liabilities (Payable from Current Assets)</b>	69,839	37,525	107,364	56,674
<b>Current Liabilities (Payable from Restricted Assets):</b>				
Member Deposits	-	313,976	313,976	308,423
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	-	313,976	313,976	308,423
<b>Net Pension Liability</b>	136,692	72,762	209,454	177,211
<b>Total Liabilities</b>	\$ 206,531	\$ 424,263	\$ 630,794	\$ 542,308
<b>Deferred Inflows of Resources</b>				
Differences Between Expected and Actual Experience	\$ 1,975	\$ 1,051	\$ 3,026	\$ 5,055
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	1,156	616	1,772	1,425
<b>Total Deferred Inflows of Resources</b>	\$ 3,131	\$ 1,667	\$ 4,798	\$ 6,480
<b>Net Position</b>				
Net Investment in Capital Assets Unrestricted	\$ 5,952,738	\$ 4,585,781	\$ 10,538,519	\$ 9,337,507
Unrestricted	2,414,244	471,356	2,885,600	2,633,538
<b>Total Net Position</b>	\$ 8,366,982	\$ 5,057,137	\$ 13,424,119	\$ 11,971,045

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

**City of Ponchatoula, Louisiana**  
**Statements of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**For the Years Ended June 30, 2017 and 2016**

**Exhibit H**

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	2016
<b>Operating Revenues:</b>				
Charges for Services	\$ 947,269	\$ 349,225	\$ 1,296,494	\$ 1,249,310
<b>Total Operating Revenues</b>	<u>947,269</u>	<u>349,225</u>	<u>1,296,494</u>	<u>1,249,310</u>
<b>Operating Expenses:</b>				
Depreciation and Amortization	308,950	130,782	439,732	395,374
Salaries and Employee Benefits	184,494	83,626	268,120	247,993
Repairs and Maintenance	121,340	119,094	240,434	227,915
Utilities and Telephone	220,881	57,694	278,575	144,213
Supplies	17,284	34,121	51,405	46,479
Professional Fees	4,621	26,542	31,163	52,877
Environmental Testing	24,445	11,467	35,912	32,453
Insurance	14,124	16,252	30,376	26,040
Bad Debt Adjustment	-	-	-	51,479
Vehicle Expense	999	545	1,544	1,008
Miscellaneous	1,807	1,374	3,181	5,723
<b>Total Operating Expenses</b>	<u>898,945</u>	<u>481,497</u>	<u>1,380,442</u>	<u>1,231,554</u>
<b>Operating Income (Loss)</b>	48,324	(132,272)	(83,948)	17,756
<b>Non-Operating Revenues / (Expenses):</b>				
Investment Income	14,992	5,940	20,932	9,328
Capital Grants	1,000,000	-	1,000,000	-
Transfers In / Out	11,641	394,640	406,281	418,505
Revenue from Non-Employer Contributions	4,060	2,161	6,221	6,266
<b>Total Non-Operating Revenues / (Expenses)</b>	<u>1,030,693</u>	<u>402,741</u>	<u>1,433,434</u>	<u>434,099</u>
<b>Change in Net Position</b>	1,079,017	270,469	1,349,486	451,855
<b>Net Position:</b>				
<b>Beginning of the Year:</b>				
<b>Originally Stated</b>	7,213,178	4,757,867	11,971,045	11,519,190
<b>Prior Period Adjustment</b>	74,787	28,801	103,588	-
<b>Restated</b>	<u>7,287,965</u>	<u>4,786,668</u>	<u>12,074,633</u>	<u>11,519,190</u>
<b>End of the Year</b>	<u>\$ 8,366,982</u>	<u>\$ 5,057,137</u>	<u>\$ 13,424,119</u>	<u>\$ 11,971,045</u>

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

**City of Ponchatoula, Louisiana**  
**Statements of Cash Flows – Proprietary Funds**  
**For the Years Ended June 30, 2017 and 2016**

**Exhibit I**

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	2016
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers and Users	\$ 919,406	\$ 350,227	\$ 1,269,633	\$ 1,253,794
Payments to Suppliers	(382,484)	(267,089)	(649,573)	(536,708)
Payments to Employees	(162,030)	(85,474)	(247,504)	(253,082)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>374,892</u>	<u>(2,336)</u>	<u>372,556</u>	<u>464,004</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund Transfers and Borrowings	(9,145)	417,366	408,221	467,085
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(9,145)</u>	<u>417,366</u>	<u>408,221</u>	<u>467,085</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Construction of Capital Assets	(1,109,685)	(427,471)	(1,537,156)	(710,010)
Capital Grants	1,000,000	-	1,000,000	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(109,685)</u>	<u>(427,471)</u>	<u>(537,156)</u>	<u>(710,010)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest Earned on Investments	14,992	5,940	20,932	9,328
Sale (Purchase) of Investments, Net	(517)	(1,416)	(1,933)	(678)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>14,475</u>	<u>4,524</u>	<u>18,999</u>	<u>8,650</u>
<b>Net Increase (Decrease) in Cash</b>	<u>270,537</u>	<u>(7,917)</u>	<u>262,620</u>	<u>229,729</u>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>2,118,313</u>	<u>523,462</u>	<u>2,641,775</u>	<u>2,412,046</u>
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 2,388,850</u>	<u>\$ 515,545</u>	<u>\$ 2,904,395</u>	<u>\$ 2,641,775</u>
<b>Reconciliation of Cash Accounts:</b>				
Unrestricted Cash and Cash Equivalents	\$ 2,388,850	\$ 411,375	\$ 2,800,225	\$ 2,541,742
Restricted Cash and Cash Equivalents	-	104,170	104,170	100,033
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 2,388,850</u>	<u>\$ 515,545</u>	<u>\$ 2,904,395</u>	<u>\$ 2,641,775</u>

(Continued)

**City of Ponchatoula, Louisiana**  
**Statements of Cash Flows – Proprietary Funds (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Exhibit I**

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	2016
	<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 48,324	\$ (132,272)	\$ (83,948)	\$ 17,756
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) in Operating Activities:				
Depreciation and Amortization	308,950	130,782	439,732	395,374
Pension Expense Adjustments for Net Pension Liability Calculation	10,875	2,058	12,933	(1,430)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable, Net	(27,863)	(4,551)	(32,414)	44,857
Increase (Decrease) in Accounts Payable	23,017	-	23,017	-
Increase (Decrease) in Accrued Liabilities	11,589	(3,906)	7,683	(3,659)
Increase (Decrease) in Meter Deposits	-	5,553	5,553	11,106
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 374,892</b>	<b>\$ (2,336)</b>	<b>\$ 372,556</b>	<b>\$ 464,004</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Interest Paid	\$ -	\$ -	\$ -	\$ -

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

## **Notes to the Financial Statements**

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Narrative Profile**

The City of Ponchatoula, Louisiana (the “City”) was first incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected to a four-year term of office. The City Council consists of five council members, each elected from a separate district in the City and each serving a four-year term of office. The Mayor and each member of the City Council are compensated for their service to the City. The City is located north of New Orleans, Louisiana, and east of Baton Rouge, Louisiana, at the intersections of Interstate Highway 55 and Interstate Highway 12. The population of the City, according to the most recent census taken in 2010, is 6,559. The City currently serves approximately 2,800 commercial and residential utility customers. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer utilities. The City presently maintains approximately 44 miles of roads and streets.

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

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

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

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

*Statement of Activities* – The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reports capital-specific grants and contributions.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

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

C. Basic Financial Statements – Fund Financial Statements

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

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

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

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

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

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

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

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

D. Basis of Accounting

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

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

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

E. Budgets and Budgetary Accounting

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

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

- The Mayor, with the assistance of the Finance Manager, prepares a proposed budget and submits this budget to the City Council no later than fifteen days prior to the beginning of each fiscal year.
- A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2017, was published timely in the official journal of the City.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2017, on June 13, 2016.
- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget for the year ended June 30, 2017, was adopted on June 13, 2016.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the City Council. The budget for the year ended June 30, 2017, was amended on June 12, 2017.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General Fund and 1965 Sales Tax Fund present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

F. Cash, Cash Equivalents, and Investments

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

G. Short-Term Interfund Receivables / Payables

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

H. Allowance for Uncollectible Accounts

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

I. Inventory

The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2017, as the amount is immaterial.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements, to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2017, was immaterial.

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

**K. Long-Term Obligations**

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

**L. Compensated Absences**

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

**M. Pension Plans**

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

**N. Net Position**

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

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

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

O. Fund Balance

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

1. Nonspendable Fund Balance – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of the City Charter, the City Code, State or Federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Unassigned Fund Balance – all amounts not included in other spendable classifications.

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

P. Interfund Transactions

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

Q. Sales and Use Taxes

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

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

R. Estimates

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**2. Stewardship, Compliance, and Accountability**

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at year-end. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting. The City complied with the Local Budget Act in adopting and amending its budgets for the year ended June 30, 2017.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2017, no City funds had deficit fund balances.

**3. Cash and Cash Equivalents**

At June 30, 2017, the City had \$7,113,771 (book balance) in interest-bearing demand deposits as follows:

	Statement of Net Position
Cash and Cash Equivalents	\$ 7,009,601
Restricted Cash and Cash Equivalents	104,170
<b>Total Interest-Bearing Deposits</b>	<b>\$ 7,113,771</b>

These deposits are stated at cost, which approximates market.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$6,946,765 of the City’s bank balance of \$7,196,765 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the City and the fiscal agent bank.

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**4. Investments**

At June 30, 2017, the City had investments which include \$2,029,198 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$410,056 in other securities.

In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book-entry form.

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

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

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

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

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

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

Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 51 days as of March 28, 2017.

Foreign Currency Risk: Not applicable to 2a7-like pools.

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

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

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

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

*Credit Risk*

<u>Investment</u>	<u>Rating</u>	<u>Percentage</u>
LAMP	AAA/Aaa/AAA	83.55%
Fannie Mae (FNMA) Notes	AAAm	16.45%

The City has a formal investment policy regarding investment credit risk.

*Concentration of Credit Risk*

The City has a formal limit on the amount the City may invest in any one issuer. More than 5.0% of the City's investments are in Fannie Mae Notes. These investments represent 16.45% of the City's total investments.

*Interest Rate Risk*

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
FHLB Bond	09/30/21	\$ 299,696
FHLMC Med Term NTS Step	03/30/21	99,694
<b>Total</b>		<b>\$ 399,390</b>

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**5. Accounts Receivable**

Accounts receivable as of June 30, 2017, consist of the following:

	<u>Governmental Funds</u>		<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>1965 Sales Tax Fund</u>	<u>Sewer</u>	<u>Water</u>
Utility Receivable	\$ 113,166	\$ -	\$ 169,124	\$ 43,045
Less: Allowance for Doubtful Accounts	(66,465)	-	(84,073)	(929)
<b>Utility Receivable, Net</b>	<b>46,701</b>	<b>-</b>	<b>85,051</b>	<b>42,116</b>
Sales Tax Receivable	447,220	447,220	-	-
Other Receivables	118,158	-	-	-
<b>Total Receivables, Net</b>	<b>\$ 612,079</b>	<b>\$ 447,220</b>	<b>\$ 85,051</b>	<b>\$ 42,116</b>

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**6. Capital Assets**

The following is a summary of capital assets for governmental activities for the year ended June 30, 2017.

	Balance 06/30/16	Increases	Decreases	Transfers	Balance 06/30/17
<b>Capital Assets Not Depreciated:</b>					
Land	\$ -	\$ -	\$ -	\$ 575,113	\$ 575,113
Construction in Progress	-	473,563	-	-	473,563
<b>Total Capital Assets Not Depreciated</b>	-	473,563	-	575,113	1,048,676
<b>Capital Assets Depreciated:</b>					
Building Official	28,494	7,350	(7,402)	-	28,442
City Hall	1,270,238	224,649	(16,774)	(7,634)	1,470,479
Civil Defense	16,890	-	-	-	16,890
Community Center	1,301,846	-	(4,195)	(57,000)	1,240,651
Executive (Mayor)	16,814	-	(1,218)	-	15,596
Fire	857,154	1,616	(3,594)	-	855,176
Industrial Park	565,059	-	-	(137,610)	427,449
Judicial	39,044	-	-	-	39,044
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	135,283	-	-	(45,876)	89,407
Parks	639,966	-	-	-	639,966
Police	2,122,024	162,568	(132,866)	-	2,151,726
Public Works	110,941	-	(3,429)	-	107,512
Building - Sanitation	75,968	-	-	-	75,968
Streets and Roadways	2,288,235	115,433	(49,267)	(326,993)	2,027,408
Youth Alliance	-	1,050	-	-	1,050
Infrastructure	9,360,618	-	-	-	9,360,618
<b>Total Capital Assets Depreciated</b>	18,829,849	512,666	(218,745)	(575,113)	18,548,657
<b>Less Accumulated Depreciation:</b>					
Building Official	23,926	1,097	(7,402)	-	17,621
City Hall	752,822	51,036	(16,774)	-	787,084
Civil Defense	16,890	-	-	-	16,890
Community Center	1,008,444	29,837	(4,195)	-	1,034,086
Executive (Mayor)	9,537	960	(1,218)	-	9,279
Fire	305,109	44,882	(3,594)	-	346,397
Industrial Park	244,256	10,686	-	-	254,942
Judicial	37,870	611	-	-	38,481
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	50,786	2,719	-	-	53,505
Parks	349,738	26,681	-	-	376,419
Police	805,640	178,355	(132,866)	-	851,129
Public Works	58,568	4,780	(3,429)	-	59,919
Building - Sanitation	28,962	1,899	-	-	30,861
Streets and Roadways	1,005,152	78,598	(49,267)	-	1,034,483
Youth Alliance	-	18	-	-	18
Infrastructure	6,058,477	321,486	-	-	6,379,963
<b>Total Accumulated Depreciation</b>	10,757,452	753,645	(218,745)	-	11,292,352
<b>Net Capital Assets Depreciated</b>	8,072,397	(240,979)	-	(575,113)	7,256,305
<b>Net Governmental Capital Assets</b>	<u>\$ 8,072,397</u>	<u>\$ 232,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,304,981</u>

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

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

Depreciation was charged to governmental functions as follows:

General Government	\$ 53,704
Public Safety	223,237
Public Works	406,763
Culture and Recreation	56,536
Community Development	10,686
Miscellaneous Programs	<u>2,719</u>
<b>Total</b>	<b><u>\$ 753,645</u></b>

The following is a summary capital asset changes for business-type activities for year ended June 30, 2017.

	Balance 06/30/16	Increases	Decreases	Transfers	Balance 06/30/17
<b>Capital Assets Not Depreciated:</b>					
Land	\$ 224,763	\$ -	\$ -	\$ -	\$ 224,763
Construction in Progress	<u>418,505</u>	<u>12,228</u>	<u>(418,505)</u>	<u>-</u>	<u>12,228</u>
<b>Total Capital Assets Not Depreciated</b>	643,268	12,228	(418,505)	-	236,991
<b>Other Capital Assets:</b>					
Sewer Utility	6,976,119	1,172,244	(57,945)	-	8,090,418
Wastewater Treatment	2,609,348	-	(137,353)	-	2,471,995
Water Utility	<u>5,395,875</u>	<u>874,777</u>	<u>(43,391)</u>	<u>-</u>	<u>6,227,261</u>
<b>Total Other Capital Assets</b>	14,981,342	2,047,021	(238,689)	-	16,789,674
<b>Less: Accumulated Depreciation:</b>					
Sewer Utility	2,990,484	257,585	(57,945)	-	3,190,124
Wastewater Treatment	1,520,937	51,365	(137,353)	-	1,434,949
Water Utility	<u>1,775,682</u>	<u>130,782</u>	<u>(43,391)</u>	<u>-</u>	<u>1,863,073</u>
<b>Total Accumulated Depreciation</b>	<u>6,287,103</u>	<u>439,732</u>	<u>(238,689)</u>	<u>-</u>	<u>6,488,146</u>
<b>Total Other Capital Assets, Net</b>	<u>8,694,239</u>	<u>1,607,289</u>	<u>-</u>	<u>-</u>	<u>10,301,528</u>
<b>Total Business-Type Capital Assets, Net</b>	<u>\$ 9,337,507</u>	<u>\$ 1,619,517</u>	<u>\$ (418,505)</u>	<u>\$ -</u>	<u>\$ 10,538,519</u>

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**7. Employee Pension Plans**

A. Municipal Employees' Retirement System of Louisiana

***General Information about the Pension Plan***

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

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee's monthly average final compensation multiplied by the employee's years of creditable service. Employees with 30 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits with 10 years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Survivor's benefits are available upon the death of a member who has credit for five or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 5.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 11.00% of annual payroll. Contributions to the System from the City were \$106,442 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 reported a liability of \$1,051,474 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 City's proportion of the net pension liability was based on a projection of the City'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 City's proportion was 1.268504%, which was a decrease of 0.011511% from its proportion measured as of June 30, 2015.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$184,967. 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
Differences Between Expected and Actual Experience	\$ 8,624	\$ 15,193
Changes of Assumptions	257,734	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	52,396	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	16	8,896
City Contributions Subsequent to the Measurement Date	106,442	-
	\$ 425,212	\$ 24,089

\$106,442 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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, 2017	\$ 83,514
June 30, 2018	88,274
June 30, 2019	83,647
June 30, 2020	39,230
June 30, 2021	-
Thereafter	-

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	7.5%, 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 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.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return was 7.6% for the year ended June 30, 2016.

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%	0.80%
Totals	100.00%	5.20%
 Inflation		 2.50%
Expected Arithmetic Nominal Return		7.60%

Discount Rate – The discount rate used to measure the total pension liability 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 contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.50%)	Current Discount Rate (7.50%)	1.0% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	\$ 1,360,219	\$ 1,051,474	\$ 788,053

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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 owed \$11,994 to the System for the City’s June 2017 payroll.

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

***General Information about the Pension Plan***

Plan Description – Employees of the City are eligible for participation in the Firefighters’ Retirement System of Louisiana (the “Fire System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 434 of the 1979 Regular Session of the Louisiana Legislature. The Fire System issues a publicly available financial report that can be obtained at [www.lafirefightersret.com/finance.html](http://www.lafirefightersret.com/finance.html). The report may also be obtained by writing to the Firefighters’ Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70809, or by calling (225) 925-4060.

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

Contributions – Per Act 434 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year. Employees are required to contribute 10.00% of their annual pay. The City’s contractually required contribution rate for the year ended June 30, 2017, was 25.25% of annual payroll. Contributions to the Fire System from the City were \$96,731 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 reported a liability of \$885,357 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 City’s proportion of the net pension liability was based on a projection of the City’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 City’s proportion was 0.135357%, which was an increase of 0.014097% from its proportion measured as of June 30, 2015.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$143,965. At June 30, 2017, the City 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	\$ -	\$ 35,046
Changes of Assumptions	7,630	247
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	212,781	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	60,410	30,595
City Contributions Subsequent to the Measurement Date	96,731	-
	<u>\$ 377,552</u>	<u>\$ 65,888</u>

\$96,731 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

<b>Year Ended:</b>	
June 30, 2017	\$ 51,684
June 30, 2018	51,684
June 30, 2019	65,049
June 30, 2020	35,436
June 30, 2021	2,391
Thereafter	8,799

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	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Investment Rate of Return	7.5%, 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 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 based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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. The long term expected nominal rate of return was 8.34% as of June 30, 2016. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	24.00%	1.85%
Equity	58.00%	6.77%
Alternatives	8.00%	6.67%
Other	10.00%	4.30%
Totals	100.00%	5.34%
Inflation		3.00%
Expected Arithmetic Nominal Return		8.34%

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability	\$ 1,206,228	\$ 885,357	\$ 615,511

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

Payables to the Pension Plan – As of June 30, 2017, the City owed \$11,008 to the Fire System for the City’s June 2017 payroll.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

C. Municipal Police Employees' Retirement System of Louisiana

***General Information about the Pension Plan***

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

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

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

For employees that became members of the Police System after to January 1, 2013, retirement benefits are divided into two sub-plans – Hazardous Duty and Non Hazardous Duty. Under the Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the Police System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the Police System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub-plans, a member is eligible for early retirement after he has been a member of the Police System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under both plans, retirement benefits are determined as 3% (for Hazardous Duty members) and 2 ½% (Non Hazardous Duty members) of the employee's average final compensation based on the highest 60 consecutive months of pay multiplied by the employee's years of creditable service, not to exceed 100% of final salary.

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

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017, was 31.75% of annual payroll. Contributions to the Police System from the City were \$343,005 for the year ended June 30, 2017.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
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 reported a liability of \$3,474,260 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 City's proportion of the net pension liability was based on a projection of the City'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 City's proportion was 0.370674%, which was an increase of 0.017341% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$553,055. 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
Differences Between Expected and Actual Experience	\$ -	\$ 55,267
Changes of Assumptions	168,920	209
Changes in Investments		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	534,597	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	206,306 <u>343,005</u>	- -
City Contributions Subsequent to the Measurement Date	<u>\$ 1,252,828</u>	<u>\$ 55,476</u>

\$343,005 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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, 2017	\$ 253,695
June 30, 2018	220,229
June 30, 2019	244,596
June 30, 2020	135,784
June 30, 2021	-
Thereafter	-

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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, Including Inflation & Merit	<u>Service Years</u>	<u>Growth Rate</u>
	1-2	9.75%
	3 - 23	4.75%
	Over 23	4.25%
Investment Rate of Return	7.5%, 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 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 based on the assumptions used in the June 30, 2016, actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	53.00%	3.69%
Fixed Income	21.00%	0.49%
Alternatives	20.00%	1.11%
Other	6.00%	0.21%
Total	<u>100.00%</u>	<u>5.50%</u>
Inflation		2.75%
Expected Arithmetic Nominal Return		8.25%

Discount Rate – The discount rate used to measure the total pension liability 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 contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

(“PRSAC”) taking into consideration the recommendation of the Police System’s actuary. Based on those assumptions, the Police System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability	\$ 4,631,487	\$ 3,474,260	\$ 2,502,662

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

Payables to the Pension Plan – As of June 30, 2017, the City owed \$34,421 to the Police System for the City’s June 2017 payroll.

**8. Compensated Absences**

At June 30, 2017, employees of the City have accumulated and vested \$93,756 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$81,139 is recorded as an obligation of the General Fund and \$12,617 is recorded in the Enterprise Funds. These amounts were included in accrued liabilities on the accompanying financial statements.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**9. Long-Term Debt and Capital Lease Obligations**

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. As of June 30, 2017, the City had no long-term debt to be repaid from business-type activities.

As of June 30, 2017, the long-term debt of the City consisted of the following:

\$136,405 capital lease payable to Ford Motor Credit dated October 29, 2013, due in 12 quarterly installments of \$12,192 through July 29, 2016, with a stated interest rate of 5.20%.	\$ -
\$152,418 capital lease payable to Ford Motor Credit dated October 17, 2014, due in 12 quarterly installments of \$13,688 through July 17, 2017, with a stated interest rate of 5.45%.	\$ -
\$133,360 capital lease payable to Ford Motor Credit dated October 24, 2016, due in 12 quarterly installments of \$11,959 through July 14, 2019, with a stated interest rate of 5.45%.	<u>100,649</u>
<b>Total</b>	<b>\$ <u>100,649</u></b>

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>Debt Payable</u> 06/30/16	<u>Increase in</u> <u>Debt</u>	<u>Debt</u> <u>Retired</u>	<u>Debt Payable</u> 06/30/17
Capital Lease - 2013	\$ 12,034	\$ -	\$ 12,034	\$ -
Capital Lease - 2014	65,633	-	65,633	-
Capital Lease - 2016	-	133,360	32,711	100,649
<b>Total</b>	<b>\$ <u>77,667</u></b>	<b>\$ <u>133,360</u></b>	<b>\$ <u>110,378</u></b>	<b>\$ <u>100,649</u></b>

The annual requirements to amortize outstanding debt at June 30, 2017, are as follows:

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>Capital Lease</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
06/30/18	\$ 43,224	\$ 4,612	\$ 43,224	\$ 4,612
06/30/19	45,629	2,207	45,629	2,207
06/30/20	11,796	161	11,796	161
<b>Total</b>	<b>\$ <u>100,649</u></b>	<b>\$ <u>6,980</u></b>	<b>\$ <u>100,649</u></b>	<b>\$ <u>6,980</u></b>

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**10. Interfund Receivables / Payables**

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2017, were as follows:

Fund	Account	Due From	Due To
General Fund	Due to Fireman Millage Fund	\$ -	\$ 5,291
General Fund	Due to Policeman Millage Fund	-	15,857
General Fund	Due to Equipment Millage Fund	-	5,291
General Fund	Due from Sewer Fund	34,955	-
General Fund	Due from Water Fund	18,725	-
Fireman Millage Fund	Due from General Fund	5,291	-
Policeman Millage Fund	Due from General Fund	15,857	-
Equipment Millage Fund	Due from General Fund	5,291	-
Sewer Enterprise Fund	Due to General Fund	-	34,955
Water Enterprise Fund	Due to General Fund	-	18,725
<b>Total All Funds</b>		<b>\$ 80,119</b>	<b>\$ 80,119</b>

**11. Interfund Transfers**

Operating transfers between funds consist primarily of sales tax and property tax revenues transferred out of the special revenue funds to the particular funds for which the sales tax and property tax revenues are to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2017:

Fund	Account	Transfers In	Transfers Out
General Fund	Transfer from 1965 Sales Tax Fund	\$ 2,280,000	\$ -
General Fund	Transfer from 1982 Sales Tax Fund	2,280,000	-
General Fund	Transfer from Fire Millage Fund	105,662	-
General Fund	Transfer from Police Millage Fund	317,000	-
General Fund	Transfer to Water Fund	-	406,281
1965 Sales Tax Fund	Transfer to General Fund	-	2,280,000
1982 Sales Tax Fund	Transfer to General Fund	-	2,280,000
Fireman Millage Fund	Transfer to General Fund	-	105,662
Policeman Millage Fund	Transfer to General Fund	-	317,000
Sewer Enterprise Fund	Transfer to Water Fund	11,641	-
Water Enterprise Fund	Transfer from General Fund	406,281	-
Water Enterprise Fund	Transfer from Sewer Fund	-	11,641
<b>Total All Funds</b>		<b>\$ 5,400,584</b>	<b>\$ 5,400,584</b>

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**12. Reserved, Restricted, and Nonspendable Fund Balances / Net Position**

The balances of the reserved, restricted, and nonspendable fund balance / net position accounts of the City as of June 30, 2017, were as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 55,443
Restricted for Mausoleum	28,214
Restricted for Dedicated Sales Tax Usage	2,387,533
Restricted for Firemen Pay	10,954
Restricted for Policemen Pay	37,167
Restricted for Safety Equipment	<u>134,288</u>
<b>Total</b>	<b><u>\$ 2,653,599</u></b>

**13. Ad Valorem Taxes**

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

Levy Date	June 13, 2016
Millage Rates Adopted	June 13, 2016
Tax Bills Mailed	November 17, 2016
Due Date	December 31, 2016
Lien Date	January 1, 2017

State law requires the City to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1<sup>st</sup> of the following year.

If taxes are not paid by the due date, taxes bear interest at the rate of 1¼% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed. Therefore, there are no delinquent taxes at year-end.

All property taxes are recorded in governmental funds and recognized as revenues in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which, based on past experience, will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

All of the net taxes receivable at the end of the year are considered available. Available means due or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

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

For the year ended June 30, 2017, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$52,680,400 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund	6.52	6.52	\$ 343,476	-
Policemen Pay Millage Fund	6.00	6.00	316,082	2020
Firemen Pay Millage Fund	2.00	2.00	105,361	2020
Equipment Millage Fund	2.00	2.00	105,361	2020
<b>Totals</b>	<b>16.52</b>	<b>16.52</b>	<b>\$ 870,280</b>	

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

**14. On-Behalf Payments for Salaries and Benefits**

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

Supplemental salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year ended June 30, 2017, the state paid supplemental salaries to the fire and police employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions for these on-behalf payments.

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

	State Supplemental Salaries
Firemen Supplemental Pay	\$ 49,327
Policemen Supplemental Pay	116,340
<b>Total On-Behalf Payments</b>	<b>\$ 165,667</b>

**15. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, the City carried insurance through various commercial carriers to cover all risks of loss. The City had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**City of Ponchatoula, Louisiana**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2017

**16. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 3, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Required Supplementary Information (Part II)**

**City of Ponchatoula, Louisiana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2017**

**Schedule 1**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance - Favorable / (Unfavorable)</u>
<b>Revenues:</b>				
Sales Taxes	\$ 2,495,800	\$ 2,454,400	\$ 2,530,534	\$ 76,134
Property Taxes	345,000	345,000	343,077	(1,923)
Intergovernmental Revenue	1,426,335	375,200	218,156	(157,044)
Licenses and Permits	619,900	610,100	643,302	33,202
Sanitation Service Fees	513,000	530,700	540,339	9,639
Franchise Fees	287,200	300,900	278,387	(22,513)
Fines and Forfeitures	160,800	432,200	428,632	(3,568)
Other Revenues	365,850	559,800	435,418	(124,382)
Interest Income	14,000	21,100	36,647	15,547
<b>Total Revenues</b>	<u>6,227,885</u>	<u>5,629,400</u>	<u>5,454,492</u>	<u>(174,908)</u>
<b>Expenditures:</b>				
Current:				
General Government	1,739,534	1,387,820	1,392,887	(5,067)
Public Safety	3,677,520	3,164,522	3,245,218	(80,696)
Public Works	3,486,360	1,614,200	1,665,314	(51,114)
Cemetery	36,500	34,500	34,196	304
Culture and Recreation	299,310	251,600	242,758	8,842
Community Development	8,281	6,700	5,281	1,419
Public Transportation	36,000	32,300	28,813	3,487
Miscellaneous Programs	1,084,400	381,000	549,133	(168,133)
Debt Service	54,672	68,284	68,341	(57)
<b>Total Expenditures</b>	<u>10,422,577</u>	<u>6,940,926</u>	<u>7,231,941</u>	<u>(291,015)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(4,194,692)	(1,311,526)	(1,777,449)	(465,923)
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,702,662	2,702,700	2,702,662	(38)
Transfers Out	(300,000)	(336,600)	(406,281)	(69,681)
Proceeds from Capital Leases	-	-	-	-
Sale of Capital Assets	10,000	28,100	33,825	5,725
<b>Total Other Financing Sources (Uses)</b>	<u>2,412,662</u>	<u>2,394,200</u>	<u>2,330,206</u>	<u>(63,994)</u>
<b>Change in Fund Balance</b>	(1,782,030)	1,082,674	552,757	(529,917)
<b>Fund Balance:</b>				
<b>Beginning of the Year</b>	<u>3,204,286</u>	<u>3,645,245</u>	<u>3,645,245</u>	<u>-</u>
<b>End of the Year</b>	<u>\$ 1,422,256</u>	<u>\$ 4,727,919</u>	<u>\$ 4,198,002</u>	<u>\$ (529,917)</u>

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – 1965 Sales Tax Fund**  
**For the Year Ended June 30, 2017**

**Schedule 2**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance - Favorable / (Unfavorable)</u>
<b>Revenues:</b>				
Sales Tax	\$ 2,505,100	\$ 2,470,500	\$ 2,530,533	\$ 60,033
Investment Interest	<u>6,700</u>	<u>10,000</u>	<u>13,623</u>	<u>3,623</u>
<b>Total Revenues</b>	2,511,800	2,480,500	2,544,156	63,656
<b>Expenditures:</b>				
General Government:				
Collection Fees	<u>14,600</u>	<u>16,100</u>	<u>16,449</u>	<u>(349)</u>
<b>Total Expenditures</b>	<u>14,600</u>	<u>16,100</u>	<u>16,449</u>	<u>(349)</u>
<b>Excess of Revenues over Expenditures</b>	2,497,200	2,464,400	2,527,707	63,307
<b>Other Financing Sources (Uses):</b>				
Operating Transfers Out	<u>(2,280,000)</u>	<u>(2,280,000)</u>	<u>(2,280,000)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(2,280,000)</u>	<u>(2,280,000)</u>	<u>(2,280,000)</u>	<u>-</u>
<b>Change in Fund Balance</b>	217,200	184,400	247,707	63,307
<b>Fund Balance:</b>				
Beginning of the Year	<u>2,076,019</u>	<u>2,139,826</u>	<u>2,139,826</u>	<u>-</u>
End of the Year	<u>\$ 2,293,219</u>	<u>\$ 2,324,226</u>	<u>\$ 2,387,533</u>	<u>\$ 63,307</u>

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
 Schedule of the City's Proportionate Share of the Net Pension Liability –  
 Municipal Employees' Retirement System of Louisiana  
 For the Year Ended June 30, 2017

**Schedule 3-A**

<u>Fiscal Year*</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	1.268504%	\$ 1,051,474	\$ 967,655	108.66%	63.34%
2016	1.280015%	\$ 869,958	\$ 932,186	93.32%	68.71%
2015	1.291998%	\$ 606,588	\$ 887,215	68.37%	76.94%
2014	1.300365%	\$ 714,496	\$ 871,855	81.95%	71.92%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
 Schedule of the City's Proportionate Share of the Net Pension Liability –  
 Firefighters' Retirement System of Louisiana  
 For the Year Ended June 30, 2017

**Schedule 3-B**

<u>Fiscal Year*</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.135357%	\$ 885,357	\$ 383,093	231.11%	68.16%
2016	0.121260%	\$ 654,454	\$ 305,199	214.44%	72.45%
2015	0.127494%	\$ 567,337	\$ 257,701	220.15%	76.02%
2014	0.130333%	\$ 676,062	\$ 258,987	261.04%	70.73%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
 Schedule of the City's Proportionate Share of the Net Pension Liability –  
 Municipal Police Employees' Retirement System of Louisiana  
 For the Year Ended June 30, 2017

**Schedule 3-C**

<u>Fiscal Year*</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.370674%	\$ 3,474,260	\$ 1,080,330	321.59%	66.04%
2016	0.353333%	\$ 2,767,995	\$ 1,039,600	266.26%	70.73%
2015	0.337356%	\$ 2,110,527	\$ 945,142	223.30%	75.10%
2014	0.313688%	\$ 2,505,875	\$ 868,489	288.53%	66.71%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Schedule of the City Contribution –**  
**Municipal Employees' Retirement System of Louisiana**  
**For the Year Ended June 30, 2017**

**Schedule 4-A**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>City's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2017	\$ 106,442	\$ (106,442)	\$ -	\$ 967,655	11.00%
2016	\$ 88,558	\$ (88,558)	\$ -	\$ 932,186	9.50%
2015	\$ 84,371	\$ (84,371)	\$ -	\$ 887,215	9.51%
2014	\$ 76,286	\$ (76,286)	\$ -	\$ 871,855	8.75%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Schedule of the City Contribution –**  
**Firefighters' Retirement System of Louisiana**  
**For the Year Ended June 30, 2017**

**Schedule 4-B**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>City's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2017	\$ 96,731	\$ (96,731)	\$ -	\$ 383,093	25.25%
2016	\$ 83,167	\$ (83,167)	\$ -	\$ 305,199	27.25%
2015	\$ 75,377	\$ (75,377)	\$ -	\$ 257,701	29.25%
2014	\$ 73,164	\$ (73,164)	\$ -	\$ 258,987	28.25%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Schedule of the City Contribution –**  
**Municipal Police Employees’ Retirement System of Louisiana**  
**For the Year Ended June 30, 2017**

**Schedule 4-C**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>City's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2017	\$ 343,005	\$ (343,005)	\$ -	\$ 1,080,330	31.75%
2016	\$ 306,682	\$ (306,682)	\$ -	\$ 1,039,600	29.50%
2015	\$ 297,719	\$ (297,719)	\$ -	\$ 945,142	31.50%
2014	\$ 269,748	\$ (269,748)	\$ -	\$ 868,489	31.06%

\* The amounts presented for each fiscal year were determined as of June 30 of the current year

See independent auditor’s report.

## **Other Supplementary Information**

**City of Ponchatoula, Louisiana**  
**Combining Balance Sheet – Non-Major Governmental Funds**  
**June 30, 2017**

**Schedule 5**

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
<b>Assets</b>						
Cash	\$ 66	\$ 5,663	\$ 21,310	\$ 128,997	\$ 15,128	\$ 171,164
Investments	28,148	-	-	-	40,315	68,463
Due from Other Funds	-	5,291	15,857	5,291	-	26,439
<b>Total Assets</b>	<b><u>\$ 28,214</u></b>	<b><u>\$ 10,954</u></b>	<b><u>\$ 37,167</u></b>	<b><u>\$ 134,288</u></b>	<b><u>\$ 55,443</u></b>	<b><u>\$ 266,066</u></b>
<b>Liabilities &amp; Fund Balance</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	55,443	55,443
Restricted	28,214	10,954	37,167	134,288	-	210,623
<b>Total Fund Balances</b>	<b><u>28,214</u></b>	<b><u>10,954</u></b>	<b><u>37,167</u></b>	<b><u>134,288</u></b>	<b><u>55,443</u></b>	<b><u>266,066</u></b>
<b>Total Liabilities &amp; Fund Balances</b>	<b><u>\$ 28,214</u></b>	<b><u>\$ 10,954</u></b>	<b><u>\$ 37,167</u></b>	<b><u>\$ 134,288</u></b>	<b><u>\$ 55,443</u></b>	<b><u>\$ 266,066</u></b>

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance – Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

**Schedule 6**

	<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	<u>Total Non-Major Funds</u>
	<u>Mausoleum Trust Fund</u>	<u>Firemen Pay Millage Fund</u>	<u>Policemen Pay Millage Fund</u>	<u>Equipment Millage Fund</u>	<u>Cemetery Endowment Fund</u>	
<b>Revenues:</b>						
Ad Valorem Taxes	\$ -	\$ 104,685	\$ 314,054	\$ 104,685	\$ -	\$ 523,424
Investment Interest	190	37	150	707	389	1,473
<b>Total Revenues</b>	<u>190</u>	<u>104,722</u>	<u>314,204</u>	<u>105,392</u>	<u>389</u>	<u>524,897</u>
<b>Expenditures:</b>						
Public Safety	-	-	-	140,494	-	140,494
Debt Service	-	-	-	48,070	-	48,070
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,564</u>	<u>-</u>	<u>188,564</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	190	104,722	314,204	(83,172)	389	336,333
<b>Other Financing Sources (Uses):</b>						
Proceeds from Capital Leases	-	-	-	133,360	-	133,360
Transfers Out	-	(105,662)	(317,000)	-	-	(422,662)
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>(105,662)</u>	<u>(317,000)</u>	<u>133,360</u>	<u>-</u>	<u>(289,302)</u>
<b>Change in Fund Balances</b>	190	(940)	(2,796)	50,188	389	47,031
<b>Fund Balances:</b>						
Beginning of the Year	28,024	11,894	39,963	84,100	55,054	219,035
<b>End of the Year</b>	<u>\$ 28,214</u>	<u>\$ 10,954</u>	<u>\$ 37,167</u>	<u>\$ 134,288</u>	<u>\$ 55,443</u>	<u>\$ 266,066</u>

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2017

Schedule 7

Federal Grantor/ Pass-Through Grantor / Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Disbursements/ Expenditures
<b>Housing and Urban Development</b>			
<i>Pass-Through Louisiana Division of Administration:</i>			
FY2015 LDCBG Wasterwater Treatment Facility	B-15-DC-22-0001	14.228	\$ <u>796,605</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 796,605</u>

**Note 1 - Basis of Presentation**

This schedule of expenditures of federal awards includes federal grant activity of the City of Ponchatoula, Louisiana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
**Schedule of Compensation of Paid Elected Officials**  
**For the Year Ended June 30, 2017**

**Schedule 8**

<u>Name &amp; Title</u>	<u>Address</u>	<u>Term of Office</u>	<u>Amount</u>
Robert F. Zabbia Mayor	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	\$ 89,015 *
Bry Layrisson Chief of Police	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	80,564 *
Braville LeBlanc City Council, District A	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Roslind Batiste City Council, District B	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Larry "Jeff" Daniels City Council, District C	125 W. Hickory Street Ponchatoula, LA 70454 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Melvin Toomer City Council, District D	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Gwen Barsley City Council, District E (Interim Appointment)	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - August 8, 2016	800
Vergil J. Sandifer City Council, District E	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	August 8, 2016 - June 30, 2020	8,800
<b>Total</b>			<b><u>\$ 217,579</u></b>

\* Including benefits, vehicle allowance, and cell phone allowance

See independent auditor's report.

**City of Ponchatoula, Louisiana**  
 Schedule of Compensation, Benefits, and Other Payments to Agency Head  
 For the Year Ended June 30, 2017

**Schedule 9**

Agency Head: **Honorable Robert F. Zabbia, Mayor**

Purpose	Amount
Salary	\$ 70,979
Benefits - Insurance	3,409
Benefits - Retirement	6,550
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	6,923
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,154
Dues	-
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
<b>Total</b>	<b>\$ 89,015</b>

See independent auditor's report.

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

Dennis E. James, CPA  
Lyle E. Lambert, CPA  
Paul M. Riggs, Jr., CPA

Ashley L. Braud, CPA  
Samantha D. Wagner, CPA  
Christie J. Barado  
Megan E. Lynch  
B. Jacob Steib  
Debbie G. Faust, EA  
Ramona K. Huckabee, EA



**JAMES  
LAMBERT RIGGS  
& ASSOCIATES, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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Society of Louisiana CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements, and have issued our report thereon dated October 3, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weakness and is identified as item 2016-001.

**Compliance and Other Matters**

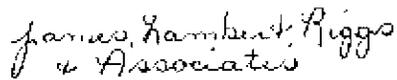
As part of obtaining reasonable assurance about whether the City of Ponchatoula, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

City of Ponchatoula, Louisiana

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

James, Lambert, Riggs and Associates, Inc.

Hammond, Louisiana  
October 3, 2017

Dennis E. James, CPA  
Lyle E. Lambert, CPA  
Paul M. Riggs, Jr., CPA

Ashley L. Braud, CPA  
Samantha D. Wagner, CPA  
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Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance

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

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

We have audited the City of Ponchatoula, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ponchatoula, Louisiana's major federal programs for the year ended June 30, 2017. The City of Ponchatoula, Louisiana'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

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

## Report on Internal Control over Compliance

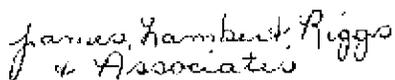
Management of the City of Ponchatoula, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ponchatoula, Louisiana's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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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



James Lambert Riggs  
James Lambert Riggs and Associates

James, Lambert, Riggs and Associates, Inc.

Hammond, Louisiana

October 3, 2017

**City of Ponchatoula, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

We have audited the basic financial statements of the City of Ponchatoula, Louisiana as of and for the year ended June 30, 2017, and have issued our report thereon dated October 3, 2017. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the Uniform Guidance. Our audit of the basic financial statements as of June 30, 2017, resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

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

Internal Control:

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

Compliance:

Compliance Material to the Financial Statements	<u>    </u>	Yes	<u>  X  </u>	No
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2. Federal Awards

Internal Control:

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

Type of Opinion on Compliance for Major Programs	<u>  X  </u>	Unmodified	<u>    </u>	Modified
	<u>    </u>	Disclaimer	<u>    </u>	Adverse

Are there findings required to be reported in accordance with the Uniform Guidance?	<u>    </u>	Yes	<u>  X  </u>	No
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3. Management Letter

Was a management letter issued?	<u>    </u>	Yes	<u>  X  </u>	No
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4. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
14.228	Community Development Block Grants / States Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B Programs:	<u>\$750,000</u>
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Is the auditee a "low-risk" auditee?	<u>    </u>	Yes	<u>  X  </u>	No
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**City of Ponchatoula, Louisiana**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

**Section II Financial Statement Findings**

**Internal Control over Financial Reporting**

**2016-001 – Financial Statement Preparation**

*Condition:* As is common in small organizations, management has chosen to engage the auditors to prepare the annual financial statements with footnote disclosures. Consistent with this decision, internal controls over the preparation of the annual financial statements, complete with notes, have not been fully implemented. Under generally accepted auditing standards (GAAS), this condition represents a material weakness in internal controls. GAAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

*Criteria:* Internal controls over the preparation of the annual financial statements, complete with notes, are necessary in order for management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis.

*Cause:* This condition is intentional by management based on the City's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements.

*Effect:* Management and employees are unable to prevent or detect and correct misstatements on a timely basis in the normal course of performing their assigned functions.

*Recommendation:* This condition is commonplace in smaller governments that do not wish to incur the additional cost of hiring a separate experienced governmental accountant to prepare their financial statements for them. In the future, the City may wish to retain the services of a separate, experienced governmental accountant to prepare the annual financial statements for the auditor to audit, which will remove this condition in the future.

*Management's Response:* See attached letter.

**Compliance and Other Matters**

None

**Management Letter Suggestions**

None

**Section III Federal Award Findings and Questioned Costs**

No matters were reported.

**City of Ponchatoula, Louisiana**  
Summary Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2017

**Internal Control over Financial Reporting**

**2016-001 – Financial Statement Preparation**

*Prior Year*

*Condition:* As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting journal entries and to prepare the annual financial statements with footnote disclosures. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, have not been fully implemented. Under generally accepted auditing standards (GAAS), this condition represents a material weakness in internal controls. GAAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

*Prior Year*

*Recommendation:* We recommended no action be taken.

*Resolution:* None taken

**2016-002 – Bank Account Reconciliation Procedures**

*Prior Year*

*Condition:* During our audit and testing of cash, we noted an error in the monthly bank reconciliation process. Several monthly deposits into the 1982 Sales Tax Fund beginning in March 2016 totaling \$975,429.45 were still outstanding as of June 30, 2016. The Finance Manager made monthly accounting entries on the general ledger to record monthly transfers from the 1965 Sales Tax Fund to the 1982 Sales Tax Fund but failed to make the cash transfer with the fiscal agent bank. These errors were not discovered when performing the bank reconciliation at the end of each month but were discovered five months later in July 2016, when the Finance Manager realized that there were not sufficient funds in the 1982 Sales Tax Fund to make the required monthly sales tax transfer to the General Fund.

*Prior Year*

*Recommendation:* We recommended that the City would benefit by having an outside CPA firm, other than the independent auditor who is limited as to the assistance than can be provided and remain independent to continue as independent auditor, to assist the Finance Manager with accounting functions on an as-needed basis.

*Resolution:* Resolved

**City of Ponchatoula, Louisiana**  
Summary Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2017

**2016-003 – Lack of Adequate Internal Controls over Payroll Processing**

*Prior Year*

*Condition:* During the audit and review of payroll procedures, we noted the following weaknesses:

- No documentary evidence exists of supervisory review of the work of the Payroll Clerk.
- No documentary evidence exists of supervisory review of City Hall employee time sheets.
- Lack of adequate supporting documentation exists for employee accrued and paid leave time.
- Compensatory time earned by City employees was not computed correctly in accordance with the U.S. Department of Labor's Federal Wage and Hour and the Fair Labor Standards Act (FLSA) for state and local governments.

*Prior Year*

*Recommendation:* We recommended the following specific actions to improve existing controls:

- Install a time clock at City Hall for employees to clock in and clock out.
- The Finance Manager review and approve all work of the Payroll Clerk before payroll is completed.
- The City Clerk review and sign all City Hall employee time sheets before processing by the Payroll Clerk.
- The City Clerk review and approve all employee requests for leave time prior to submission to the Payroll Clerk for processing. We further recommend that the City's current *Employee Handbook*, last revised in January 2005, be updated to reflect current leave time policies and procedures.
- The Payroll Clerk should complete additional training for compliance with the Fair Labor Standards Act (FSLA) for state and local governments regarding compensatory time calculation.

*Resolution:* Resolved

**2016-004 – Lack of Adequate Internal Controls over Credit Cards**

*Condition:* During our audit and review of City credit cards, we reviewed the internal control policies and procedures in place for the use of City credit cards and found the City currently has no formal written policy limiting credit card usage.

In response to certain allegations regarding inappropriate charges on City credit cards, on March 14, 2016, the City Council voted to hire the independent accounting firm, Carr, Riggs, & Ingram, LLC, New Orleans, Louisiana, to perform an audit of City credit card charges for the period July 1, 2012 through February 29, 2016. The results of the City credit card audit performed by Carr, Riggs & Ingram, LLC is summarized as follows:

*“Findings: Total credit card charges and the total dollar value of all credit card charges by card holder for the period of the review are as follows:”*

**City of Ponchatoula, Louisiana**  
**Summary Schedule of Prior Year Findings and Responses**  
**For the Year Ended June 30, 2017**

<b>Cardholder</b>	<b>Department</b>	<b>Job Title</b>	<b>Count</b>	<b>Total Dollar Amount</b>
Bob Zabbia	CH	Mayor	15	\$943.40
Charlene Daniels	CH	Main Street Manager	49	5,512.44
Cindy Vaughn	CH	A/P-Purchasing Clerk	65	12,084.29
Rhonda Sheridan	CH	Mayor's Assistant	151	12,303.46
Tomlyn Poche	CH	City Clerk	64	16,466.15
Bry Layrisson	PD	Police Chief	318	24,132.82
Megen Berner	PD	Chief's Assistant (current)	213	25,133.73
Stacey Newsham	PD	Chief's Assistant (former)	57	6,067.45
<b>Total</b>			<b>932</b>	<b>\$102,643.74</b>

*“Findings: Of the 932 credit card charges reviewed, 5 did not appear to be appropriate charges relative to the operations of the City and 180 were undeterminable (insufficient information was provided to determine appropriateness).”*

All five (5) credit card charges that the independent accounting firm identified in their report as not appearing to be appropriate involved the purchase of alcohol with City funds.

*Prior Year*

*Recommendation:* We recommended the following specific actions to improve the internal controls over the City's credit cards:

- Immediately forward the results of the credit card audit performed by Carr, Riggs, & Ingram, LLC to the Louisiana Legislative Auditor and the District Attorney of the 21<sup>st</sup> Judicial District to determine if any violations of law may have occurred.
- Withdraw all City credit cards and keep under lock and key in the City Clerk's office until such time as the City Council can adopt an ordinance to establish a formal written credit card policy for the City that outlines guidelines and restrictions for credit card usage. We recommend the City Council adopt the credit card policy recommended by the Louisiana Legislative Auditor as “best practices” for local governments.
- Limit the number of City credit cards to one, and place the card under lock and key in the custody of the City Clerk. Credit cards must be placed under strict control and made available for use in limited cases as set forth by the City Council. Credit cards should not be used for local vendors, routine or recurring purchases, or purchases that are subject to the requirements of the Louisiana Public Bid Law.

*Resolution:* Resolved

**Compliance and Other Matters**

None

**Management Letter Suggestions**

None



October 6, 2017

James, Lambert, Riggs and Associates, Inc.  
Post Office Drawer 369  
Hammond, Louisiana 70404

Management of the City of Ponchatoula, Louisiana would like to present the following response to the findings of the June 30, 2017, audit conducted by James, Lambert, Riggs and Associates, Inc.

**2016-001 – Financial Statement Presentation**

Agency Response: Management acknowledges the need for additional support within the financial statement preparation process. Per your recommendation, the City will consider possibly hiring an outside accounting firm to prepare the annual financial statements with footnote disclosures to resolve this condition.

Signed:

  
\_\_\_\_\_  
Honorable Robert F. "Bob" Zabbia  
Mayor

Signed:

  
\_\_\_\_\_  
Cheryl Hoover  
Finance Manager



**CITY OF PONCHATOULA, LOUISIANA**

**STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT**

**FOR THE YEAR ENDED JUNE 30, 2017**

Dennis E. James, CPA  
Lyle E. Lambert, CPA  
Paul M. Riggs, Jr., CPA

Ashley L. Braud, CPA  
Samantha D. Wagner, CPA  
Christie J. Barado  
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## Independent Accountants' Report on Applying Agreed-Upon Procedures

Honorable Robert F. Zabbia, Mayor  
and City Council Members  
Ponchatoula, Louisiana and the Louisiana Legislative Auditor

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

Our procedures and findings are detailed in Schedule "A"

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 control and compliance 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.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the results 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 Legislative Auditor as a public document.

*James Lambert Riggs  
& Associates*

James Lambert Riggs & Associates, Inc.  
Hammond, Louisiana

October 3, 2017

Written Policies and Procedures

1. 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

Results: We sighted the City's written policies and procedures for budgeting.

- 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.

Results: We sighted the City's written policies and procedures for purchasing.

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

Results: We sighted the City's written policies and procedures for disbursements.

- d) **Receipts**, including receiving, recording, and preparing deposits

Results: We sighted the City's written policies and procedures for receipts.

- e) **Payroll / Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked

Results: We sighted the City's written policies and procedures for payroll / personnel.

- 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

Results: The City did not have any written policies and procedures for contracts.

- 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

Results: We sighted the City's written policies and procedures for credit cards and fuel cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: We sighted the City's written policies and procedures for travel and expense reimbursements.

- 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.

**Results:** We sighted the City's written policies and procedures for ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

**Results:** We sighted the City's written policies and procedures for debt service.

**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.

**Results:** Per a review of the minutes of the City Council for the period July 1, 2016 through June 30, 2017, the City Council met on a monthly basis.

- 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).

**Results:** Per a review of the minutes of the City Council for the period July 1, 2016 through June 30, 2017, the minutes referenced budget-to-actual comparisons on the City's 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.

**Results:** Per a review of the minutes of the City Council for the period July 1, 2016 through June 30, 2017, there were no periods of deficit spending during the fiscal period.

- 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.

**Results:** Per a review of the minutes of the City Council for the period July 1, 2016 through June 30, 2017, the City Council approved contracts and grant agreements in at least one meeting during the year.

**Bank Reconciliations**

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

**Results:** Management provided us with the required listing of bank accounts as well as management's representation that the listing is complete.

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 five 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;

**Results:** For the 10 bank accounts selected, all bank reconciliations were prepared for all twelve months for the period July 1, 2016 through June 30, 2017.

- 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

**Results:** For the 10 bank accounts selected, evidence existed that the bank statements were reviewed by a member of management or a board member; however, no evidence existed that the bank reconciliations were reviewed by a member of management or a board member for the period July 1, 2016 through June 30, 2017.

- 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.

**Results:** For the 10 bank accounts selected, two accounts had outstanding items over 6 months as of June 30, 2017. For these two accounts, management had documentation reflecting that the City had researched the outstanding reconciling items as of June 30, 2017.

**Collections**

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

**Results:** Management provided us with the required listing of cash collection locations as well as management's representation that the listing is complete.

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 five 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.

**Results:** Each person responsible for collecting cash is bonded. Each person responsible for collecting cash is not responsible for depositing the cash in the bank, does not record the related transaction, and does not reconcile the related bank account. Each person responsible for collecting cash has his or her own cash drawer.

- 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.

**Results:** Management provided us with written documentation or reconciling cash collections to the general ledger. This daily reconciliation is performed by an individual not responsible for cash collections.

- 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.

**Results:** The highest week of cash collections had only 3 days of collections due to holidays. All 3 days' collections were deposited within one business day.

- 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.

**Results:** Daily cash collections for the highest week of cash collections were completely supported by documentation.

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.

**Results:** We sighted the City's written policies and procedures for receipts.

**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.

**Results:** Management provided us with the required listing of disbursements as well as management's representation that the listing is complete.

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.

**Results:** For the 25 transactions selected, all transactions selected were initiated using a purchase order system that separated the initiation and approval functions.

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

**Results:** For the 25 transactions selected, all transactions selected were initiated using a purchase order system that separated the initiation and approval functions.

- 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.

**Results:** For the 25 transactions selected, all transactions selected were initiated using an approved purchase order. All 25 transactions including a receiving report, when applicable, and all 25 transactions had an approved invoice.

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.

**Results:** We sighted the City's written policies and procedures for purchasing. The accounts payable clerk responsible for processing payments is able to add vendors to the City's purchasing / disbursement 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.

**Results:** We sighted the City's written policies and procedures for purchasing. The individuals who can initiate or record purchases do not have signatory authority.

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.

**Results:** We sighted the City's written policies and procedures for purchasing. Checks are printed on blank check stock, and individuals with signatory authority do not have access 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.

**Results:** No signature stamp or machine is utilized by the City.

**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.

**Results:** Management provided us with the required listing of credit cards and fuel cards as well as management's representation that the listing is complete.

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 cardholder. [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.])

**Results:** For the 10 credit card and fuel cards selected, the statements of all 10 cards were reviewed and approved, in writing, by someone other than the authorized card holder.

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

**Results:** For the 10 credit card and fuel cards selected, no finance charges and / or late charges were assessed.

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).

**Results:** For the 10 credit cards and fuel cards selected, all 10 cards had supporting itemized receipts for all transactions.

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

**Results:** For the 10 credit cards and fuel cards selected, all 10 cards selected had supporting documentation of the business/ public purpose, and all meal receipts contained documentation of the individuals participating.

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

**Results:** We sighted the City's written policies and procedures for credit cards and fuel cards. For the 10 credit card and fuel cards selected, all 10 cards selected had other supporting documentation required by the City's written policy.

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.

**Results:** For the 10 credit cards and fuel cards selected, no transactions reviewed required the solicitation of bids or quotes.

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.

**Results:** For the 10 credit cards and fuel cards selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

**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.

**Results:** Management provided us with the required listing of travel and related expense reimbursements as well as management's representation that the listing is complete.

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Results:** We sighted the City's written policies and procedures for travel and expense reimbursements. No reimbursement rates 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.

**Results:** For the three employees selected, all travel and expense reimbursements were paid in accordance with written policy.

- 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.]

**Results:** For the three employees selected, all travel and expense reimbursements were documented by original itemized receipts.

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

**Results:** For the three employees selected, all travel and expense reimbursements documented the business / public purchase of the expense.

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

**Results:** We sighted the City's written policies and procedures for travel and expense reimbursements. For the three employees selected, all three employee reimbursements had other supporting documentation required by the City's written policy.

- 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.

**Results:** For the three employees selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

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

**Results:** For the three employees selected, each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving 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.

**Results:** Management provided us with a listing of all contracts in effect during the period July 1, 2016 through June 30, 2017 as well as management's representation that the listing is complete.

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.

**Results:** For the five contracts selected, there was a formal / written contract that supported the services arrangement and the amount paid.

- 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).

**Results:** For the five contracts selected, all five were subject to the Louisiana Public Bid Law and all legal requirements were met.

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

**Results:** For the five contracts selected, all five were subject to the Louisiana Public Bid Law.

- 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.

**Results:** For the five contracts selected, none were amended during the period July 1, 2016 through June 30, 2017.

- 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.

**Results:** For the five contracts selected, all five of the largest payments contained supporting invoices that complied with the terms and conditions of the contract.

- 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).

**Results:** For the five contracts selected, all five contracts were approved by the City Council.

**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.

**Results:** Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five randomly selected employees, compensation paid to each employee was made in accordance with each employee's approved pay rate.

- 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.

**Results:** Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five randomly selected employees, all changes to each employee's approved pay rates were approved in writing and in accordance with 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.)

**Results:** Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, all employees documented their 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.

**Results:** Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, we sighted documentation that supervisors approved attendance and leave.

- 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.

**Results:** Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, we sighted written documentation of the City's leave records.

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.

**Results:** Management provided us with the required list of employees terminated for the period July 1, 2016 through June 30, 2017. For the two termination payments selected for this period, the payments were made in accordance with City policies and were approved by management.

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.

**Results:** Management provided us with all supporting documentation related to payroll taxes and retirement contributions for the period July 1, 2016 through June 30, 2017. For this period, all payroll tax deposits and retirement contribution payments were paid by the required deadlines.

**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.

**Results:** For the five randomly selected employees, all ethics compliance documentation was provided to us and the required ethics training was completed for all employees.

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.

**Results:** Per conversation with Mayor Robert Zabbia and Finance Manager Cheryl Hoover, the City had no alleged ethics violations reported during the period July 1, 2016 through June 30, 2017.

**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.

**Results:** The City had no new debt issued during the period July 1, 2016 through June 30, 2017.

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.

**Results:** During the period July 1, 2016 through June 30, 2017, the City had outstanding debt related to capital leases of vehicles. All lease payments were made timely and the leases did not contain any debt reserve requirements or other covenants.

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.

**Results:** The City had no tax millages relating to debt service during the period July 1, 2016 through June 30, 2017.



October 26, 2017

James, Lambert, Riggs, and Associates, Inc.  
Post Office Drawer 369  
Hammond, Louisiana 70404

Management of the City of Ponchatoula, Louisiana would like to present the following response to the findings of the June 30, 2017 Statewide Agreed-Upon Procedures conducted by James, Lambert, Riggs, and Associates, Inc.

**Schedule A – Written Policies and Procedures**

Agency Response: A member of management (with no involvement in the transactions associated with the bank account) will review and initial all bank reconciliations.

Management is in the process of developing written policies and procedures for contracts.

Signed:

  
\_\_\_\_\_  
Honorable Robert F. "Bob" Zabbia  
Mayor

Signed:

  
\_\_\_\_\_  
Cheryl R Hoover  
Finance Manager

