

CITY OF PONCHATOULA, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

City of Ponchatoula, Louisiana
Table of Contents
For the Year Ended June 30, 2022

	Exhibit	Schedule	Page
Independent Auditor's Report	-	-	1 - 3
Required Supplemental Information (Part I):			
Management's Discussion and Analysis	-	-	5 - 13
Basic Financial Statements:			
Government-Wide Financial Statements:			
Statement of Net Position	A	-	15
Statement of Activities	B	-	16
Fund Financial Statements:			
Governmental Funds			
Balance Sheet	C	-	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	-	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	-	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	F	-	21
Proprietary Funds:			
Statements of Net Position	G	-	22 - 23
Statements of Revenues, Expenses, and Changes in Net Position	H	-	24
Statements of Cash Flows	I	-	25 - 26
Notes to the Financial Statements	-	-	28 - 55
Required Supplementary Information (Part II):			
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:			
General Fund	-	1	57
1% Sales Tax Fund (1965)	-	2	58
Schedules of the City's Proportionate Share of the Net Pension Liability	-	3	59
Schedules of the City's Contributions to Defined Benefit Pension Plans	-	4	60

City of Ponchatoula, Louisiana
Table of Contents (Continued)
For the Year Ended June 30, 2022

	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information:			
Non-Major Governmental Funds:			
Combining Balance Sheet	-	5	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	-	6	63
Schedule of Compensation of Paid Elected Officials	-	7	64
Schedule of Compensation, Benefits, and Other Payments to Agency Head	-	8	65
Schedule of Compensation, Benefits, and Other Payments to the Chief of Police	-	9	66
Justice System Funding Schedule - Collecting / Disbursing Entity	-	10	67
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	-	69 - 70
Schedule of Findings and Questioned Costs	-	-	71 - 80
Summary Schedule of Prior Audit Findings	-	-	81
Management's Response to Audit Findings	-	-	82



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ponchatoula, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to these financial statements, in 2022, the City of Ponchatoula, Louisiana adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Budgetary Comparison Information; the Schedule of the City's Proportionate Share of the Net Pension Liability; and the Schedule of the City's Contributions to Defined Benefit Pension Plans on pages 5 – 13 and 57 – 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

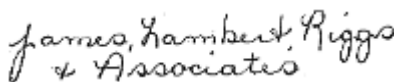
information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The accompanying Combining Balance Sheet – Non-Major Governmental Funds; the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; the Schedule of Compensation, Benefits, and Other Payments to the Chief of Police; and the Justice System Funding Schedule – Collecting / Disbursing Entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet – Non-Major Governmental Funds; the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds; the Schedule of Compensation of Paid Elected Officials; the Schedule of Compensation, Benefits, and Other Payments to Agency Head; the Schedule of Compensation, Benefits, and Other Payments to the Chief of Police; and the Justice System Funding Schedule – Collecting / Disbursing Entity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ponchatoula, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ponchatoula, Louisiana's internal control over financial reporting and compliance.



James Lambert Riggs and Associates, Inc.
Hammond, Louisiana

February 2, 2023

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

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

Overview of the Financial Statements

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

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- A. The Statement of Net Position presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening.
- B. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 12,051,560	\$ 9,820,319	\$ 2,231,241	22.72%
Capital Assets	<u>21,923,597</u>	<u>21,623,097</u>	<u>300,500</u>	1.39%
Total Assets	<u>\$ 33,975,157</u>	<u>\$ 31,443,416</u>	<u>\$ 2,531,741</u>	8.05%
Deferred Outflows of Resources	<u>\$ 1,695,060</u>	<u>\$ 2,289,296</u>	<u>\$ (594,236)</u>	-25.96%
Liabilities				
Current Liabilities	\$ 1,357,471	\$ 878,952	\$ 478,519	54.44%
Long-Term Liabilities	295,699	-	295,699	-
Net Pension Liability	<u>3,763,337</u>	<u>6,456,262</u>	<u>(2,692,925)</u>	-41.71%
Total Liabilities	<u>\$ 5,416,507</u>	<u>\$ 7,335,214</u>	<u>\$ (1,918,707)</u>	-26.16%
Deferred Inflows of Resources	<u>\$ 2,091,471</u>	<u>\$ 518,417</u>	<u>\$ 1,573,054</u>	303.43%
Net Position				
Net Investment in Capital Assets	\$ 21,627,898	\$ 21,623,097	\$ 4,801	0.02%
Restricted Net Position	4,379,814	3,502,325	877,489	25.05%
Unrestricted Net Position	<u>2,154,527</u>	<u>753,659</u>	<u>1,400,868</u>	185.88%
Total Net Position	<u>\$ 28,162,239</u>	<u>\$ 25,879,081</u>	<u>\$ 2,283,158</u>	8.82%

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$28,162,239 (net position), an increase of \$2,283,158 over last year. Of the total amount, \$2,154,527 is unrestricted net position. The City's net position is comprised of \$15,053,936 from governmental activities and \$13,108,303 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, 2022

By far the largest portion of the City's net position (77.85%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,154,527 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 2,286,273	\$ 2,237,035	\$ 49,238	2.20%
Grants and Contributions	1,573,441	1,297,982	275,459	21.22%
General Revenues:				
Taxes	8,396,728	7,553,562	843,166	11.16%
Other	<u>2,099,561</u>	<u>1,461,439</u>	<u>638,122</u>	43.66%
Total Revenues	14,356,003	12,550,018	1,805,985	14.39%
Expenses:				
Governmental Activities	10,016,099	9,344,564	671,535	7.19%
Business-Type Activities	<u>2,054,222</u>	<u>1,721,916</u>	<u>332,306</u>	19.30%
Total Expenses	<u>12,070,321</u>	<u>11,066,480</u>	<u>1,003,841</u>	9.07%
Change in Net Position	2,285,682	1,483,538	802,144	54.07%
Net Position:				
Beginning of the Year, Original	25,879,078	24,395,543	1,483,535	6.08%
Prior Period Adjustment	<u>(2,521)</u>	<u>-</u>	<u>(2,521)</u>	-
Beginning of the Year, Restated	<u>25,876,557</u>	<u>24,395,543</u>	<u>1,481,014</u>	6.07%
End of the Year	<u>\$ 28,162,239</u>	<u>\$ 25,879,081</u>	<u>\$ 2,283,158</u>	8.82%

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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	\$ 1,767,762	17.65%
Public Safety	4,848,020	48.40%
Public Works	2,437,173	24.33%
Cemetery	40,464	0.40%
Culture and Recreation	352,531	3.52%
Community Development	149,535	1.49%
Public Transportation	86,286	0.86%
Miscellaneous Programs	210,709	2.10%
Debt Service Interest	123,619	1.23%
Total Governmental Activities	\$ 10,016,099	100.00%

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

<u>Governmental Revenues</u>	<u>Amount</u>	<u>Percentage</u>
Sales Taxes	\$ 7,336,985	69.99%
Property Taxes	1,059,743	10.11%
Licenses, Permits, and Fees	1,082,250	10.32%
Miscellaneous	808,278	7.71%
Revenue from Non-Employer Contributions	181,619	1.73%
Gain / (Loss) on Disposition of Assets	13,827	0.13%
Total Governmental Activities	\$ 10,482,702	100.00%

Sales taxes are the largest revenue source for the City comprising 69.99% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 10.11% of total general governmental revenue.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

For the year ended June 30, 2022, 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.

	<u>2022 Taxes</u>		<u>2021 Taxes</u>	
	<u>Levied</u>	<u>Mills</u>	<u>Levied</u>	<u>Mills</u>
General Fund	\$ 419,575	6.52	\$ 426,475	6.52
Policemen Pay Millage Fund	386,112	6.00	356,089	6.00
Firemen Pay Millage Fund	128,704	2.00	118,663	2.00
Equipment Millage Fund	<u>128,704</u>	<u>2.00</u>	<u>118,663</u>	<u>2.00</u>
Total Property Taxes Levied	<u>\$ 1,063,095</u>	<u>16.52</u>	<u>\$ 1,019,890</u>	<u>16.52</u>

Business-Type Activities

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

<u>Charges for Services</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2022	\$ 992,329	\$ 722,280
Fiscal Year Ended June 30, 2021	<u>1,002,625</u>	<u>393,708</u>
Increase (Decrease) Between Years	<u>\$ (10,296)</u>	<u>\$ 328,572</u>

<u>Operating Expenses</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2022	\$ 1,350,334	\$ 703,888
Fiscal Year Ended June 30, 2021	<u>1,045,664</u>	<u>676,252</u>
(Decrease) Increase Between Years	<u>\$ 304,670</u>	<u>\$ 27,636</u>

2. FUND FINANCIAL STATEMENTS

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

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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 \$9,363,981, an increase of \$1,704,580 over June 30, 2021. In the General Fund, the unassigned fund balance is \$4,984,167, as shown on Exhibit C.

At June 30, 2022, the City had a fund balance of \$3,846,940 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:

Fund Balance Date	General Fund	1965 Sales Tax Fund
June 30, 2022	\$ 4,984,167	\$ 3,846,940
June 30, 2021	4,098,557	3,150,661
Change in Fund Balance	\$ 885,610	\$ 696,279

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

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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:
- Fines & Forfeitures decreased by \$109,600
 - Sales tax revenue increased by approximately \$782,000 due to growth in local sales
 - Public Works expenditures were decreased by \$991,700 due to a decrease in various overlay projects
 - Grant Revenues decreased by \$497,700 projects not started

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, 2022, in its governmental activities is \$10,119,66 and in business-type activities is \$11,803,991, which totals \$21,923,597 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 \$481,230 increase for governmental activities and a \$555,599 decrease for business-type activities.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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

- A. Smart Fusion Software totaling \$103,337
- B. Play Ground Equipment – Tasker Park \$8,241
- C. Tables & Benches – Memorial Park \$9,938
- D. Radios & Equipment – PD \$19,440
- E. Body Vest – PD \$5,565
- F. Equip new Units – PD \$32,057
- G. Equip Units, Kennels & Vest – K9 \$50,811
- H. Street Department Equipment – \$183,340
- I. Ash Street Drainage – \$369,085
- J. Sidewalks – \$345,550
- K. Pumps & Equipment – Sewer Department – \$79,448
- L. Equipment – Water Department – \$48,723
- M. Water Line Improvements South Ninth \$221,268
- N. Many Hurricane Ida Projects

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

2. LONG-TERM DEBT

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

3. CAPITAL LEASES

At the end of the current fiscal year, the City had capital leases outstanding of \$442,199. The amount of the outstanding PD Vehicle Lease is \$156,218 & the outstanding PD Dispatch Console Lease is \$285,981. Additional information concerning this lease can be found in Note 10.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2023 fiscal year:

- Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing fiscal year 2022's collections, projected collections for fiscal year 2023 are comparable to 2022. The City anticipates continued commercial growth, especially along Veterans Avenue.
- During the budget planning process, funds have been designated for certain capital outlays. Those outlays include funds for continued improvements to the City's sewer and water infrastructure.
- The city budgeted additional money for street improvements and overlays.
- The city budgeted additional money for city wide drainage especially the Southwest Quadrant and Barringer Road.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2022

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, 2022

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 6,470,699	\$ 1,121,496	\$ 7,592,195
Investments	2,154,799	185,831	2,340,630
Receivables, Net	1,530,696	154,977	1,685,673
Other Current Assets	33,142	-	33,142
Internal Balances	-	171,093	171,093
Restricted Cash and Cash Equivalents	-	6,911	6,911
Restricted Investments	-	221,916	221,916
Capital Assets, Net	10,119,606	11,803,991	21,923,597
Total Assets	\$ 20,308,942	\$ 13,666,215	\$ 33,975,157
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$ 11,026	\$ -	\$ 11,026
Changes in Assumptions	418,578	6,862	425,440
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	459,609	11,787	471,396
City Contributions Subsequent to the Measurement Date	752,334	34,864	787,198
Total Deferred Outflows of Resources	\$ 1,641,547	\$ 53,513	\$ 1,695,060
Liabilities			
Accounts Payable	\$ 296,263	\$ -	\$ 296,263
Accrued Liabilities	357,999	14,332	372,331
Internal Balance	171,093	-	171,093
Non-Current Liabilities:			
Due Within One Year	146,500	-	146,500
Due in More Than One Year	295,699	-	295,699
Payable from Restricted Assets:			
Utility Meter Deposits	-	371,284	371,284
Net Pension Liability	3,593,786	169,551	3,763,337
Total Liabilities	\$ 4,861,340	\$ 555,167	\$ 5,416,507
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$ 165,398	\$ 6,998	\$ 172,396
Changes of Assumptions	55,603	-	55,603
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,614,648	45,820	1,660,468
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	199,564	3,440	203,004
Total Deferred Inflows of Resources	\$ 2,035,213	\$ 56,258	\$ 2,091,471
Net Position			
Net Investment in Capital Assets	\$ 9,823,907	\$ 11,803,991	\$ 21,627,898
Restricted for:			
Cemetery / Mausoleum	88,544	-	88,544
Dedicated Sales Tax Usage	3,846,940	-	3,846,940
Dedicated Ad Valorem Tax Usage	444,330	-	444,330
Unrestricted	850,215	1,304,312	2,154,527
Total Net Assets	\$ 15,053,936	\$ 13,108,303	\$ 28,162,239

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

City of Ponchatoula, Louisiana
Statement of Activities
For the Year Ending June 30, 2022

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,767,762	\$ -	\$ -	\$ -	\$ (1,767,762)	\$ -	\$ (1,767,762)
Public Safety	4,848,020	119,902	29,748	-	(4,698,370)	-	(4,698,370)
Public Works	2,437,173	451,762	-	1,543,693	(441,718)	-	(441,718)
Cemetery	40,464	-	-	-	(40,464)	-	(40,464)
Culture and Recreation	352,531	-	-	-	(352,531)	-	(352,531)
Community Development	149,535	-	-	-	(149,535)	-	(149,535)
Public Transportation	86,286	-	-	-	(86,286)	-	(86,286)
Miscellaneous Programs	210,709	-	-	-	(210,709)	-	(210,709)
Debt Service Interest	123,619	-	-	-	(123,619)	-	(123,619)
Total Governmental Activities	10,016,099	571,664	29,748	1,543,693	(7,870,994)	-	(7,870,994)
Business-Type Activities:							
Sewer	1,350,334	992,329	-	-	-	(358,005)	(358,005)
Water	703,888	722,280	-	-	-	18,392	18,392
Total Business-Type Activities	2,054,222	1,714,609	-	-	-	(339,613)	(339,613)
Total	\$ 12,070,321	\$ 2,286,273	\$ 29,748	\$ 1,543,693	(7,870,994)	(339,613)	(8,210,607)
General Revenues:							
Sales Taxes					7,336,985	-	7,336,985
Property Taxes					1,059,743	-	1,059,743
Licenses, Permits, and Fees					1,082,250	-	1,082,250
Miscellaneous					808,278	6,272	814,550
Revenue from Non-Employer Contributions					181,619	7,315	188,934
Gain / (Loss) on Disposition of Assets					13,827	-	13,827
Total General Revenues					10,482,702	13,587	10,496,289
Change in Net Position					2,611,708	(326,026)	2,285,682
Net Position - Beginning of the Year, Originally Stated					12,444,749	13,434,329	25,879,078
Prior Period Adjustment					(2,521)	-	(2,521)
Net Position - Beginning of the Year, Restated					12,442,228	13,434,329	25,876,557
Net Position - End of the Year					\$ 15,053,936	\$ 13,108,303	\$ 28,162,239

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, 2022

Exhibit C

		<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>1965 Sales Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 3,723,278	\$ 2,389,277	\$ 358,144	\$ 6,470,699
Investments	1,236,722	845,635	72,442	2,154,799
Receivables, Net				
Sales Taxes	616,310	616,032	-	1,232,342
Franchise Taxes	81,262	-	-	81,262
Garbage Collection Fees	55,852	-	-	55,852
Other Receivables	161,240	-	-	161,240
Due from Other Funds	698,757	-	102,288	801,045
Other Current Assets	<u>33,142</u>	<u>-</u>	<u>-</u>	<u>33,142</u>
Total Assets	<u>6,606,563</u>	<u>3,850,944</u>	<u>532,874</u>	<u>10,990,381</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	292,259	4,004	-	296,263
Accrued Liabilities	357,999	-	-	357,999
Due to Other Funds	<u>972,138</u>	<u>-</u>	<u>-</u>	<u>972,138</u>
Total Liabilities	1,622,396	4,004	-	1,626,400
Fund Balance:				
Nonspendable	-	-	58,690	58,690
Restricted, Reported in Special Revenue Funds	-	3,846,940	474,184	4,321,124
Unassigned	<u>4,984,167</u>	<u>-</u>	<u>-</u>	<u>4,984,167</u>
Total Fund Balances	<u>4,984,167</u>	<u>3,846,940</u>	<u>532,874</u>	<u>9,363,981</u>
Total Liabilities and Fund Balances	<u>\$ 6,606,563</u>	<u>\$ 3,850,944</u>	<u>\$ 532,874</u>	<u>\$ 10,990,381</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, 2022

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) \$ 9,363,981

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	25,417,654
Less: Accumulated Depreciation	(15,298,048)

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	(442,199)
----------------	-----------

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	(871,917)
Firefighters' Retirement System of Louisiana	(772,648)
Municipal Police Employees Retirement System of Louisiana	(1,949,221)

Deferred Outflows of Resources:

Differences Between Expected and Actual Experience	11,026
Changes of Assumptions	418,578
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	459,609
City Contributions Subsequent to the Measurement Date	752,334

Deferred Inflows of Resources:

Differences Between Expected and Actual Experience	(165,398)
Changes of Assumptions	(55,603)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(1,614,648)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>(199,564)</u>

Net Position of Governmental Activities (Exhibit A) **\$ 15,053,936**

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, 2022

Exhibit E

	<u>General Fund</u>	<u>Special Revenue Fund 1965 Sales Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Sales Taxes	\$ 3,668,492	\$ 3,668,493	\$ -	\$ 7,336,985
Property Taxes	421,427	-	638,316	1,059,743
Franchise Taxes	340,777	-	-	340,777
Grant Revenues	1,561,864	-	-	1,561,864
Licenses and Permits	741,473	-	-	741,473
Sanitation Service Fees	451,762	-	-	451,762
Fines and Forfeitures	119,902	-	-	119,902
Other Revenues	796,289	-	-	796,289
Interest Income	12,000	11,669	1,687	25,356
Total Revenues	<u>8,113,986</u>	<u>3,680,162</u>	<u>640,003</u>	<u>12,434,151</u>
Expenditures:				
Current:				
General Government	1,734,764	24,593	-	1,759,357
Public Safety	5,138,692	-	21,312	5,160,004
Public Works	3,131,677	-	-	3,131,677
Cemetery	40,464	-	-	40,464
Culture and Recreation	315,506	-	-	315,506
Community Development	138,850	-	-	138,850
Public Transportation	29,365	-	-	29,365
Miscellaneous Programs	214,043	-	-	214,043
Debt Service	123,619	-	-	123,619
Total Expenditures	<u>10,866,980</u>	<u>24,593</u>	<u>21,312</u>	<u>10,912,885</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,752,994)	3,655,569	618,691	1,521,266
Other Financing Sources (Uses):				
Sale of Capital Assets	18,733	-	-	18,733
Proceeds from Capital Leases	169,587	-	-	169,587
Transfers In	3,453,500	-	-	3,453,500
Transfers Out	-	(2,957,500)	(496,000)	(3,453,500)
Unrealized Investment Gain / Loss	-	(1,790)	-	(1,790)
Total Other Financing Sources (Uses)	<u>3,641,820</u>	<u>(2,959,290)</u>	<u>(496,000)</u>	<u>186,530</u>
Change in Fund Balances	888,826	696,279	122,691	1,707,796
Fund Balances:				
Beginning of the Year, Original Prior Period Adjustment	<u>4,098,557</u> (3,216)	<u>3,150,661</u> -	<u>410,183</u> -	<u>7,659,401</u> (3,216)
Beginning of the Year, Restated	<u>4,095,341</u>	<u>3,150,661</u>	<u>410,183</u>	<u>7,656,185</u>
End of the Year	<u>\$ 4,984,167</u>	<u>\$ 3,846,940</u>	<u>\$ 532,874</u>	<u>\$ 9,363,981</u>

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

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2022 and 2021

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2022	2021
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,079,266	\$ 42,230	\$ 1,121,496	\$ 1,187,902
Investments	81,105	104,726	185,831	103,758
Accounts Receivable, Net	94,111	60,866	154,977	131,566
Due from Other Funds	61,846	109,247	171,093	-
Total Current Assets	1,316,328	317,069	1,633,397	1,423,226
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents:				
Water Fund - Meter Deposits	-	6,911	6,911	39,799
Investments:				
Water Fund - Meter Deposits	-	221,916	221,916	303,093
Total Restricted Assets	-	228,827	228,827	342,892
Capital Assets:				
Property, Plant, and Equipment, at Cost	13,961,238	7,030,806	20,992,044	20,671,804
Less: Accumulated Depreciation	(6,684,357)	(2,728,459)	(9,412,816)	(8,758,121)
Land	3,170	221,593	224,763	224,763
Construction in Progress	-	-	-	221,144
Total Capital Assets	7,280,051	4,523,940	11,803,991	12,359,590
Total Assets	\$ 8,596,379	\$ 5,069,836	\$ 13,666,215	\$ 14,125,708
Deferred Outflows of Resources				
Differences Between Expected and Actual Experience	\$ -	\$ -	\$ -	\$ -
Changes in Assumptions	4,181	2,681	6,862	8,929
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	31,278
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	7,182	4,605	11,787	10,623
City Contributions Subsequent to the Measurement Date	21,244	13,620	34,864	34,889
Total Deferred Outflows of Resources	\$ 32,607	\$ 20,906	\$ 53,513	\$ 85,719

(Continued)

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2022 and 2021

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2022	2021
	Liabilities:			
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	9,120	5,212	14,332	12,843
Due to Other Funds	-	-	-	128,417
Total Current Liabilities (Payable from Current Assets)	9,120	5,212	14,332	141,260
Current Liabilities (Payable from Restricted Assets):				
Member Deposits	-	371,284	371,284	342,892
Total Current Liabilities (Payable from Restricted Assets)	-	371,284	371,284	342,892
Net Pension Liability	103,314	66,237	169,551	288,099
Total Liabilities	\$ 112,434	\$ 442,733	\$ 555,167	\$ 772,251
Deferred Inflows of Resources				
Differences Between Expected and Actual Experience	\$ 4,265	\$ 2,733	\$ 6,998	\$ 4,847
Changes in Assumptions	-	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	27,920	17,900	45,820	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	2,096	1,344	3,440	-
Total Deferred Inflows of Resources	\$ 34,281	\$ 21,977	\$ 56,258	\$ 4,847
Net Position				
Net Investment in Capital Assets	\$ 7,280,051	\$ 4,523,940	\$ 11,803,991	\$ 12,359,590
Unrestricted	1,202,220	102,092	1,304,312	1,074,739
Total Net Position	\$ 8,482,271	\$ 4,626,032	\$ 13,108,303	\$ 13,434,329

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, 2022 and 2021

Exhibit H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2022	2021
Operating Revenues:				
Charges for Services	\$ 992,329	\$ 722,280	\$ 1,714,609	\$ 1,396,333
Total Operating Revenues	992,329	722,280	1,714,609	1,396,333
Operating Expenses:				
Depreciation and Amortization	495,112	188,751	683,863	622,703
Salaries and Employee Benefits	225,010	148,912	373,922	372,310
Repairs and Maintenance	167,134	158,159	325,293	292,042
Utilities and Telephone	321,560	74,910	396,470	178,686
Supplies	30,271	52,218	82,489	78,324
Professional Fees	7,618	13,919	21,537	13,331
Environmental Testing	38,935	37,483	76,418	72,584
Insurance	41,932	15,120	57,052	56,369
Vehicle Expense	5,710	585	6,295	7,397
Miscellaneous	17,052	13,831	30,883	28,170
Total Operating Expenses	1,350,334	703,888	2,054,222	1,721,916
Operating Income (Loss)	(358,005)	18,392	(339,613)	(325,583)
Non-Operating Revenues / (Expenses):				
Investment Income	5,273	999	6,272	1,250
Community Development Block Grant	-	-	-	49,113
Capital Grants	-	-	-	124,504
Transfers In / Out	-	-	-	400,000
Revenue from Non-Employer Contributions	4,457	2,858	7,315	8,842
Total Non-Operating Revenues / (Expenses)	9,730	3,857	13,587	583,709
Change in Net Position	(348,275)	22,249	(326,026)	258,126
Net Position:				
Beginning of the Year:	8,830,546	4,603,783	13,434,329	13,176,203
End of the Year	<u>\$ 8,482,271</u>	<u>\$ 4,626,032</u>	<u>\$ 13,108,303</u>	<u>\$ 13,434,329</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, 2022 and 2021

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2022	2021
	Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 991,128	\$ 728,462	\$ 1,719,590	\$ 1,393,170
Payments to Suppliers	(630,212)	(366,225)	(996,437)	(726,903)
Payments to Employees	(238,643)	(161,407)	(400,050)	(349,398)
Net Cash Provided by (Used in) Operating Activities	<u>122,273</u>	<u>200,830</u>	<u>323,103</u>	<u>316,869</u>
Cash Flows From Noncapital Financing Activities:				
Interfund Transfers and Borrowings	(83,489)	(216,021)	(299,510)	304,054
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(83,489)</u>	<u>(216,021)</u>	<u>(299,510)</u>	<u>304,054</u>
Cash Flows From Capital and Related Financing Activities:				
Construction of Capital Assets	(79,449)	(48,816)	(128,265)	(1,099,545)
Capital Grants	-	-	-	173,617
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(79,449)</u>	<u>(48,816)</u>	<u>(128,265)</u>	<u>(925,928)</u>
Cash Flows From Investing Activities:				
Interest Earned on Investments	5,273	999	6,272	4,103
Sale (Purchase) of Investments, Net	(185)	(709)	(894)	-
Net Cash Provided by (Used in) Investing Activities	<u>5,088</u>	<u>290</u>	<u>5,378</u>	<u>4,103</u>
Net Increase (Decrease) in Cash	<u>(35,577)</u>	<u>(63,717)</u>	<u>(99,294)</u>	<u>(300,902)</u>
Cash and Cash Equivalents - Beginning of the Year	<u>1,114,843</u>	<u>112,858</u>	<u>1,227,701</u>	<u>1,528,603</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 1,079,266</u>	<u>\$ 49,141</u>	<u>\$ 1,128,407</u>	<u>\$ 1,227,701</u>
Reconciliation of Cash Accounts:				
Unrestricted Cash and Cash Equivalents	\$ 1,079,266	\$ 42,230	\$ 1,121,496	\$ 1,187,902
Restricted Cash and Cash Equivalents	-	6,911	6,911	39,799
Cash and Cash Equivalents - End of the Year	<u>\$ 1,079,266</u>	<u>\$ 49,141</u>	<u>\$ 1,128,407</u>	<u>\$ 1,227,701</u>

City of Ponchatoula, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2022 and 2021

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2022	2021
	Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (358,005)	\$ 18,392	\$ (339,613)	\$ (325,583)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) in Operating Activities:				
Depreciation and Amortization	495,112	188,751	683,863	622,703
Pension Expense Adjustments for Net Pension Liability Calculation	(14,707)	(12,910)	(27,617)	29,862
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable, Net	(1,201)	(22,210)	(23,411)	(13,383)
Increase (Decrease) in Accounts Payable	-	-	-	-
Increase (Decrease) in Accrued Liabilities	1,074	415	1,489	(6,950)
Increase (Decrease) in Meter Deposits	-	28,392	28,392	10,220
Net Cash Provided By (Used In) Operating Activities	\$ 122,273	\$ 200,830	\$ 323,103	\$ 316,869
Supplemental Disclosure of Cash Flow Information:				
Interest Paid	\$ -	\$ -	\$ -	\$ -

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

Notes to the Financial Statements

City of Ponchatoula, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2022

Narrative Profile

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

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

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

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

C. Basic Financial Statements – Fund Financial Statements

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

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

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

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

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

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.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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.

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.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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, 2022, 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, 2022, on June 14, 2021
- 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, 2022, was adopted on June 14, 2021.
- 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, 2022, was amended on June 13, 2022.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the actual amounts with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules for the General Fund and 1965 Sales Tax Fund present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets, as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value using published market values.

G. Allowance for Uncollectible Accounts

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

H. Short-Term Interfund Receivables / Payables

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

I. Inventory

The City utilizes the “purchase method” of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2022, as the amount is immaterial.

J. Capital Assets

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

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

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.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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, 2022

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 Tangipahoa Parish School Board.

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

R. Adopted Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of GASB 87 to reporting periods beginning after June 15, 2021. The City adopted the provisions of GASB Statement No. 87, *Leases* during 2022.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of GASB 89 to reporting periods beginning after December 15, 2020. The adoption of this guidance did not have a material impact on the City's financial statements

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement amends Questions 4.3 and 4.5 of Implementation Guide 201-2. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective June 15, 2021. The adoption of this guidance did not have a material impact on the City's financial statements.

S. Recently Issued Accounting Pronouncements

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information-technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

T. Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at year-end. The City did not comply with certain provisions of the Local Budget Act in adopting and amending its budgets for the year ended June 30, 2022. See Note 1-E for the procedures the City follows regarding budgets and budgetary accounting.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2022, no City funds had deficit fund balances.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

3. Cash and Cash Equivalents

At June 30, 2022, the City had \$7,599,106 (book balance) in interest-bearing demand deposits as follows: cash and cash equivalents of \$7,592,195 and restricted cash and cash equivalents of \$6,911. These deposits are stated at cost, which approximates market.

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

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, 2022, \$7,478,044 of the City’s bank balance of \$7,728,044 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the City and the fiscal agent bank.

4. Investments

At June 30, 2022, the City had investments that include \$2,146,355 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$416,193 in other investments. The following table provides information on the credit ratings, maturity dates, and fair values associated with the City’s investments at June 30, 2022:

Investment	Rating	Fair Value	Percentage
Certificates of Deposit	N/A	\$ 304,174	11.87%
Cash	N/A	112,019	4.37%
LAMP	AAA/Aaa/AAA	2,146,355	83.76%
		<u>\$ 2,562,548</u>	<u>100.00%</u>

Interest Rate Risk – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Of the City’s investments, \$416,193 have maturities of one to five years.

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

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not held in the City’s name. The City has a formal investment policy regarding investment credit risk, and the investments of the City owned at June 30, 2022 were not subject to custodial credit risk.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

Concentration of Credit Risk – The City has a formal limit on the amount the City may invest in any one issuer. It is the policy of the City to diversify its investment portfolio. Assets shall be diversified to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Issuers comprising 5% or more of the City’s investments at June 30, 2022 were LAMP at 84%

Louisiana Asset Management Pool (LAMP) – State law limits the City’s investments to direct U.S. Treasury obligations; bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies; bonds, debentures, notes or other evidence of indebtedness issued by the State of Louisiana or any of its political subdivisions; direct security repurchase agreements; fully collateralized time certificates of deposit of any bank domiciled in the State of Louisiana; mutual or trust fund institutions which are registered with the Securities and Exchange Commission (SEC) and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies; guaranteed investment contracts, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record; and LAMP.

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

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

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

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

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

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

Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating / variable rate investments. The WAM for LAMP’s total investments is 56 days as of June 30, 2022.

Foreign Currency Risk: Not applicable.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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.

5. Fair Value

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

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

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

At June 30, 2022, the City's investment in cash with a fair market value of \$112,019 are categorized at Level 1. The City's certificates of deposits with a fair market value of \$304,174 are categorized at Level 2. The City's \$2,146,355 investment in LAMP are categorized as an investment measured at net asset value.

6. Accounts Receivable

Accounts receivable as of June 30, 2022, consist of the following:

	Governmental Funds		Proprietary Funds	
	General Fund	1965 Sales Tax Fund	Sewer	Water
Utility Receivable	\$ 160,092	\$ -	\$ 209,988	\$ 82,907
Less: Allowance for Doubtful Accounts	(104,240)	-	\$ (115,877)	\$ (22,041)
Utility Receivable, Net	55,852	-	94,111	60,866
 Sales Tax Receivable	 616,310	 616,032	 -	 -
Franchise Tax Receivables	81,262			
Other Receivables	161,240	-	-	-
Total Receivables, Net	\$ 914,664	\$ 616,032	\$ 94,111	\$ 60,866

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

7. Capital Assets

The following is a summary of capital assets for governmental activities for the year ended June 30, 2022.

	Balance 06/30/21 (Restated)	Increases	Decreases	Transfers	Balance 06/30/22
Capital Assets Not Depreciated:					
Land	\$ 575,113	\$ -	\$ -	\$ -	\$ 575,113
Construction in Progress	436,558	595,389	-	(792,392)	239,555
Total Capital Assets Not Depreciated	1,011,671	595,389	-	(792,392)	814,668
Capital Assets Depreciated:					
Building Official	43,010	1,518	(3,621)	-	40,907
City Hall	1,554,551	20,306	-	103,337	1,678,194
Civil Defense	1,090	-	-	-	1,090
Community Center	1,298,551	-	-	-	1,298,551
DDD	1,428	-	-	-	1,428
Executive (Mayor)	16,671	-	-	-	16,671
Fire	931,945	7,530	(1,528)	-	937,947
Hickory Park	837,183	-	-	-	837,183
Industrial Park	427,449	-	-	-	427,449
Judicial	41,762	1,446	(3,436)	-	39,772
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	89,407	-	-	-	89,407
Museum	31,055	8,950	-	-	40,005
Parks	792,079	18,179	(4,485)	-	805,773
Police	3,535,476	277,459	(2,110)	-	3,810,825
Public Works	103,376	-	-	-	103,376
Building - Sanitation	75,968	-	-	-	75,968
Streets and Roadways	2,777,494	230,340	(51,539)	689,055	3,645,350
Transportation	4,456	-	-	-	4,456
Youth Alliance	2,288	-	-	-	2,288
Infrastructure	10,360,792	384,279	-	-	10,745,071
Total Capital Assets Depreciated	22,927,306	950,007	(66,719)	792,392	24,602,986

(Continued on Next Page)

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

	Balance 06/30/21 (Restated)	Increases	Decreases	Transfers	Balance 06/30/22
(Continued from Previous Page)					
Less Accumulated Depreciation:					
Building Official	38,428	1,812	(3,621)	-	36,619
City Hall	986,760	74,027	-	-	1,060,787
Civil Defense	1,090	-	-	-	1,090
Community Center	1,139,559	12,931	-	-	1,152,490
DDD	619	286	-	-	905
Executive (Mayor)	13,565	1,317	-	-	14,882
Fire	538,811	55,894	(1,528)	-	593,177
Hickory Park	143,568	56,413	-	-	199,981
Industrial Park	297,688	10,685	-	-	308,373
Judicial	35,897	1,916	(3,436)	-	34,377
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	64,379	2,718	-	-	67,097
Museum	345	2,458	-	-	2,803
Parks	508,289	41,283	(4,236)	-	545,336
Police	1,245,792	353,960	(1,406)	-	1,598,346
Public Works	65,315	2,382	-	-	67,697
Building - Sanitation	38,459	1,899	-	-	40,358
Streets and Roadways	1,516,532	188,861	(47,586)	-	1,657,807
Transportation	279	222	-	-	501
Youth Alliance	1,806	440	-	-	2,246
Infrastructure	7,662,145	249,756	-	-	7,911,901
Total Accumulated Depreciation	<u>14,300,601</u>	<u>1,059,260</u>	<u>(61,813)</u>	<u>-</u>	<u>15,298,048</u>
Net Capital Assets Depreciated	<u>8,626,705</u>	<u>(109,253)</u>	<u>(4,906)</u>	<u>792,392</u>	<u>9,304,938</u>
Net Governmental Capital Assets	<u>\$ 9,638,376</u>	<u>\$ 486,136</u>	<u>\$ (4,906)</u>	<u>\$ -</u>	<u>\$ 10,119,606</u>

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

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

Depreciation was charged to governmental functions as follows:

General Government	\$ 79,072
Public Safety	409,854
Public Works	442,898
Culture and Recreation	54,214
Community Development	10,685
Public Transportation	56,921
Miscellaneous Programs	5,616
Total	<u>\$ 1,059,260</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2022.

	Balance 06/30/21	Increases	Decreases	Transfers	Balance 06/30/22
Capital Assets Not Depreciated:					
Land	\$ 224,763	\$ -	\$ -	\$ -	\$ 224,763
Construction in Progress	221,144	-	-	(221,144)	-
Total Capital Assets Not Depreciated	445,907	-	-	(221,144)	224,763
Other Capital Assets:					
Sewer Utility	10,464,801	79,449	(29,170)	-	10,515,080
Wastewater Treatment	3,446,158	-	-	-	3,446,158
Water Utility	6,760,846	48,816	-	221,144	7,030,806
Total Other Capital Assets	20,671,805	128,265	(29,170)	221,144	20,992,044
Less: Accumulated Depreciation:					
Sewer Utility	4,513,723	417,970	(29,170)	-	4,902,523
Wastewater Treatment	1,704,692	77,142	-	-	1,781,834
Water Utility	2,539,708	188,751	-	-	2,728,459
Total Accumulated Depreciation	8,758,123	683,863	(29,170)	-	9,412,816
Total Other Capital Assets, Net	11,913,682	(555,598)	-	221,144	11,579,228
Total Business-Type Capital Assets, Net	\$ 12,359,589	\$ (555,598)	\$ -	\$ -	\$ 11,803,991

8. Employee Pension Plans

A. Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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, 2022, was 15.50% of annual payroll. Contributions to the System from the City were \$212,677 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$1,041,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was 1.797777%, which was an increase of 0.103116% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$153,710. At June 30, 2022, 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	\$ -	\$ 42,980
Changes of Assumptions	42,147	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	281,447
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	72,404	21,125
City Contributions Subsequent to the Measurement Date	214,153	-
	\$ 328,704	\$ 345,552

\$214,153 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, 2023. 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, 2022	\$	(4,496)
June 30, 2023		(33,478)
June 30, 2024		(72,997)
June 30, 2025		(98,903)

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

Actuarial Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2021

Actuarial Cost Method - Entry age normal

Expected remaining service lives - 3 Years

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

Inflation - 2.50%

Salary increased, including inflation and merit increases:

- 1 to 4 years of service - 7.40%

- More than 4 years of service - 4.90%

Annuitant and beneficiary mortality:

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

Employee mortality:

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

Disabled lives mortality:

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

The mortality rate assumption used was verified by combining data from the System with three other statewide plans, which have similar workforce compositions in order to produce a credible experience. The aggregated data was collected over the period July 1, 2013 to June 30, 2018. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return was 6.95% for the year ended June 30, 2021.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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

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

Discount Rate – The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PR SAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.85%) or one percentage-point higher (7.85%) than the current rate:

	1.0% Decrease (5.85%)	Current Discount Rate (6.85%)	1.0% Increase (7.85%)
City's Proportionate Share of the Net Pension Liability	\$ 1,597,828	\$ 1,041,468	\$ 570,891

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, 2022, the City owed \$-0- to the System for the City’s June 2022 payroll.

B. Firefighters’ Retirement System of Louisiana

General Information about the Pension Plan

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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

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

Contributions – Per Act 434 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2022, was 33.75% of annual payroll. Contributions to the Fire System from the City were \$189,980 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$772,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was 0.218025%, which was a decrease of 0.016366% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension income of \$35,781. At June 30, 2022, 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	\$ 11,026	\$ 69,386
Changes of Assumptions	167,427	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	468,888
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	254,715	95,350
City Contributions Subsequent to the Measurement Date	176,782	-
	<u>\$ 609,950</u>	<u>\$ 633,624</u>

\$176,782 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

ended June 30, 2023. 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, 2022	\$	(1,370)
June 30, 2023		(15,335)
June 30, 2024		(61,355)
June 30, 2025		(113,768)
June 30, 2026		6,217
June 30, 2027		(2,844)

Actuarial Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2021

Actuarial cost method - Entry age normal

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

Expected remaining service lives - 7 years, closed period

Inflation - 2.50% per annum

Salary increases:

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

Cost-of-Living Adjustments (COLAs):

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

For the June 30, 2021 valuation, assumptions for mortality rates were based on the following:

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	26.00%	0.67%
Equity	56.00%	6.42%
Alternatives	18.00%	6.54%
Other	0.00%	4.17%
Totals	100.00%	4.95%
Inflation		2.50%
Expected Arithmetic Nominal Return		6.90%

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fire System's actuary. Based on those assumptions, the Fire System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.9%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.9%) or one percentage-point higher (7.9%) than the current rate:

	1.0% Decrease (5.9%)	Current Discount Rate (6.9%)	1.0% Increase (7.9%)
City's Proportionate Share of the Net Pension Liability	\$ 1,482,269	\$ 772,648	\$ 180,832

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.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

Payables to the Pension Plan – As of June 30, 2022, the City owed \$-0- to the Fire System for the City's June 2022 payroll.

C. Municipal Police Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

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

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

For employees that became members of the Police System after to January 1, 2013, retirement benefits are divided into two sub-plans – Hazardous Duty and Non Hazardous Duty. Under the Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the Police System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the Police System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub-plans, a member is eligible for early retirement after he has been a member of the Police System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under both plans, retirement benefits are determined as 3% (for Hazardous Duty members) and 2 1/2% (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, 2022, was 29.75% of annual payroll. Contributions to the Police System from the City were \$404,696 for the year ended June 30, 2022.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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

At June 30, 2022, the City reported a liability of \$1,949,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was 0.365670%, which was an increase of 0.009069% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension income of \$154,095. At June 30, 2022, 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	\$ -	\$ 60,030
Changes of Assumptions	215,866	55,603
Changes in Investments		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	910,133
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	144,277 <u>396,263</u>	86,529 <u>-</u>
City Contributions Subsequent to the Measurement Date	<u>\$ 756,406</u>	<u>\$ 1,112,295</u>

\$396,263 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, 2023. 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, 2022	\$ (173,002)
June 30, 2023	(113,602)
June 30, 2024	(154,429)
June 30, 2025	(313,559)

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

Actuarial Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date - June 30, 2021
Actuarial cost method - Entry age normal cost
Investment rate of return - 6.75%, net of investment expense
Expected remaining service lives - 4 years 4 years
Inflation - 2.50%

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

Mortality

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

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

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

Cost-of-Living Adjustments

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

The best estimated of the arithmetic rates of return for each major asset class included in the System's target allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	55.50%	3.47%
Fixed Income	30.50%	0.59%
Alternatives	14.00%	1.01%
Total	100.00%	5.08%
Inflation		2.22%
Expected Arithmetic Nominal Return		7.30%

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee ("PR SAC") taking into consideration the recommendation of the Police System's actuary. Based on those assumptions, the Police System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	1.0% Decrease (5.75%)	Current Discount Rate (6.75%)	1.0% Increase (7.75%)
City's Proportionate Share of the Net Pension Liability	\$ 3,397,184	1,949,221	\$ 740,660

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, 2022, the City owed \$58,646 to the Police System for the City's June 2022 payroll.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

9. Compensated Absences

At June 30, 2022, employees of the City have accumulated and vested \$160,396 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$152,271 is recorded as an obligation of the General Fund and \$8,125 is recorded in the Enterprise Funds. These amounts were included in accrued liabilities on the accompanying financial statements.

10. Capital Lease

On August 15, 2020, the City entered into a capital lease agreement at a fixed interest rate of 3.94% with Motorola Solutions, Inc. for the lease of a Motorola MCC7500 Dispatch Console, totaling \$459,024, with accumulated depreciation of \$175,959. The lease obligation is effective for a period of 60 months through August 2024. Annual payments of \$102,935.55 began in August 2020. Total payments during 2022 totaled \$88,193 of principal and \$14,742 of interest.

On March 16, 2022, the City entered into a capital lease agreement at an estimated interest rate of 4.00% with Enterprise FM Trust for the lease of six (6) 2022 Chevrolet Tahoes totaling \$169,587, with accumulated depreciation of \$14,132. The lease obligation is effective for a period of 36 months through March 2025. Monthly payments of \$5,006.88 began in April 2022. Total payments during 2022 totaled \$13,369 of principal and \$1,651 of interest.

The following is a summary of the changes in the capital lease payable for the year ended June 30, 2022:

	Debt Payable <u>06/30/21</u>	Increase in Debt	Debt Retired	Debt Payable <u>06/30/22</u>
Capital Lease - Vehicles	\$ -	\$ 169,587	\$ 13,369	\$ 156,218
Capital Lease - Dispatch Console	374,174	-	88,193	285,981
Total	<u>\$ 374,174</u>	<u>\$ 169,587</u>	<u>\$ 101,562</u>	<u>\$ 442,199</u>

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

<u>Year Ended</u>	Motorola MCC7500 Console	2022 Chevy Tahoes (x6)	Principal
June 30, 2023	\$ 102,936	\$ 60,083	\$ 163,019
June 30, 2024	102,936	60,083	163,019
June 30, 2025	<u>102,936</u>	<u>45,062</u>	<u>147,998</u>
	308,808	165,228	474,036
Less: Interest Portion	<u>22,827</u>	<u>9,010</u>	<u>31,837</u>
Total	<u>\$ 285,981</u>	<u>\$ 156,218</u>	<u>\$ 442,199</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

11. Interfund Receivables / Payables

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2022, were as follows:

<u>Fund</u>	<u>Account</u>	<u>Due From</u>	<u>Due To</u>
General Fund	Due to Fireman Millage Fund	\$ -	\$ 20,501
General Fund	Due to Policeman Millage Fund	-	61,488
General Fund	Due to Equipment Millage Fund	-	20,299
General Fund	Due to Sewer Fund	-	61,846
General Fund	Due to Water Fund	-	109,247
Fireman Millage Fund	Due from General Fund	20,501	-
Policeman Millage Fund	Due from General Fund	61,488	-
Equipment Millage Fund	Due from General Fund	20,299	-
Sewer Enterprise Fund	Due from General Fund	61,846	-
Water Enterprise Fund	Due from General Fund	109,247	-
Total All Funds		<u>\$ 273,381</u>	<u>\$ 273,381</u>

12. Interfund Transfers

Operating transfers between funds consist primarily of sales tax and property tax revenues transferred out of the special revenue funds to the particular funds for which the sales tax and property tax revenues are to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2022:

<u>Fund</u>	<u>Account</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	Transfer from 1965 Sales Tax Fund	\$ 2,957,500	\$ -
General Fund	Transfer from Fire Millage Fund	124,000	-
General Fund	Transfer from Police Millage Fund	372,000	-
1965 Sales Tax Fund	Transfer to General Fund	-	2,957,500
Fireman Millage Fund	Transfer to General Fund	-	124,000
Policeman Millage Fund	Transfer to General Fund	-	372,000
Total All Funds		<u>\$ 3,453,500</u>	<u>\$ 3,453,500</u>

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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

The balances of the reserved, restricted, and nonspendable fund balance / net position accounts of the City as of June 30, 2022, were as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 58,690
Restricted for Mausoleum	29,854
Restricted for Dedicated Sales Tax Usage	3,846,940
Restricted for Firemen Pay	26,515
Restricted for Policemen Pay	84,212
Restricted for Safety Equipment	<u>333,603</u>
Total	<u><u>\$ 4,379,814</u></u>

14. Ad Valorem Taxes

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

For the year ended June 30, 2022, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$64,352,100 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund	6.52	6.52	\$ 419,575	-
Policemen Pay Millage Fund	6.00	6.00	386,112	2029
Firemen Pay Millage Fund	2.00	2.00	128,704	2029
Equipment Millage Fund	<u>2.00</u>	<u>2.00</u>	<u>128,704</u>	2029
Totals	<u><u>16.52</u></u>	<u><u>16.52</u></u>	<u><u>\$ 1,063,095</u></u>	

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

15. On-Behalf Payments for Salaries and Benefits

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

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, 2022, the state paid supplemental salaries to the fire and police employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions for these on-behalf payments.

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

Firemen Supplemental Pay	\$ 72,000
Policemen Supplemental Pay	<u>156,000</u>
Total On-Behalf Payments	<u><u>\$ 228,000</u></u>

16. Risk Management and Uncertainties

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2022, 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.

17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 2, 2023, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Required Supplementary Information (Part II)

City of Ponchatoula, Louisiana
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2022

Schedule 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance - Favorable / (Unfavorable)</u>
Revenues:				
Taxes:				
Sales Taxes	\$ 2,830,000	\$ 3,612,000	\$ 3,668,492	\$ 56,492
Property Taxes	526,900	421,500	421,427	(73)
Franchise Taxes	324,100	332,600	340,777	8,177
Grant Revenues	2,072,300	1,574,600	1,561,864	(12,736)
Licenses and Permits	558,600	613,300	741,473	128,173
Sanitation Service Fees	490,000	473,500	451,762	(21,738)
Fines and Forfeitures	225,100	115,500	119,902	4,402
Other Revenues	297,000	703,050	796,289	93,239
Interest Income	4,900	9,400	12,000	2,600
Total Revenues	<u>7,328,900</u>	<u>7,855,450</u>	<u>8,113,986</u>	<u>258,536</u>
Expenditures:				
Current:				
General Government	1,832,690	1,677,464	1,734,764	(57,300)
Public Safety	4,856,100	5,232,602	5,138,692	93,910
Public Works	4,032,200	3,040,500	3,131,677	(91,177)
Cemetery	40,500	40,000	40,464	(464)
Culture and Recreation	404,800	374,700	315,506	59,194
Community Development	106,380	89,800	138,850	(49,050)
Public Transportation	36,000	29,500	29,365	135
Miscellaneous Programs	323,300	211,000	214,043	(3,043)
Debt Service	-	-	123,619	(123,619)
Total Expenditures	<u>11,631,970</u>	<u>10,695,566</u>	<u>10,866,980</u>	<u>(171,414)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,303,070)	(2,840,116)	(2,752,994)	87,122
Other Financing Sources (Uses):				
Transfers In	3,225,870	3,226,000	3,453,500	227,500
Transfers Out	(600,000)	-	-	-
Proceeds from Capital Leases	-	-	169,587	169,587
Sale of Capital Assets	6,000	18,700	18,733	33
Total Other Financing Sources (Uses)	<u>2,631,870</u>	<u>3,244,700</u>	<u>3,641,820</u>	<u>397,120</u>
Change in Fund Balance	(1,671,200)	404,584	888,826	484,242
Fund Balance:				
Beginning of the Year, Original	3,182,658	3,182,658	4,098,557	915,899
Prior Period Adjustment	-	-	(3,216)	(3,216)
Beginning of the Year, Restated	<u>3,182,658</u>	<u>3,182,658</u>	<u>4,095,341</u>	<u>912,683</u>
End of the Year	<u>\$ 1,511,458</u>	<u>\$ 3,587,242</u>	<u>\$ 4,984,167</u>	<u>\$ 1,396,925</u>

See independent auditor's report.

City of Ponchatoula, Louisiana

Schedule 2

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – 1965 Sales Tax Fund
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance - Favorable / (Unfavorable)</u>
Revenues:				
Sales Tax	\$ 2,830,000	\$ 3,612,000	\$ 3,668,493	\$ 56,493
Investment Interest	<u>3,200</u>	<u>4,000</u>	<u>9,879</u>	<u>5,879</u>
Total Revenues	2,833,200	3,616,000	3,678,372	62,372
Expenditures:				
General Government:				
Collection Fees	<u>21,200</u>	<u>23,000</u>	<u>24,593</u>	<u>(1,593)</u>
Total Expenditures	<u>21,200</u>	<u>23,000</u>	<u>24,593</u>	<u>(1,593)</u>
Excess of Revenues over Expenditures	2,812,000	3,593,000	3,653,779	60,779
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(2,730,000)</u>	<u>(2,730,000)</u>	<u>(2,957,500)</u>	<u>(227,500)</u>
Total Other Financing Sources (Uses)	<u>(2,730,000)</u>	<u>(2,730,000)</u>	<u>(2,957,500)</u>	<u>(227,500)</u>
Change in Fund Balance	82,000	863,000	696,279	(166,721)
Fund Balance:				
Beginning of the Year	<u>2,888,879</u>	<u>2,526,119</u>	<u>3,150,661</u>	<u>624,542</u>
End of the Year	<u><u>\$ 2,970,879</u></u>	<u><u>\$ 3,389,119</u></u>	<u><u>\$ 3,846,940</u></u>	<u><u>\$ 457,821</u></u>

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City's Proportionate Share of the Net Pension Liability
 For the Year Ended June 30, 2022

Schedule 3

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

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

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City Contributions to Defined Benefit Pension Plans
 For the Year Ended June 30, 2022

Schedule 4

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

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

See independent auditor's report.

Other Supplementary Information

City of Ponchatoula, Louisiana
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2022

Schedule 5

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Assets						
Cash	\$ 70	\$ 6,014	\$ 22,724	\$ 313,304	\$ 16,032	\$ 358,144
Investments	29,784	-	-	-	42,658	72,442
Due from Other Funds	-	20,501	61,488	20,299	-	102,288
Total Assets	<u>\$ 29,854</u>	<u>\$ 26,515</u>	<u>\$ 84,212</u>	<u>\$ 333,603</u>	<u>\$ 58,690</u>	<u>\$ 532,874</u>
Liabilities & Fund Balance						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	58,690	58,690
Restricted	29,854	26,515	84,212	333,603	-	474,184
Total Fund Balances	<u>29,854</u>	<u>26,515</u>	<u>84,212</u>	<u>333,603</u>	<u>58,690</u>	<u>532,874</u>
Total Liabilities & Fund Balances	<u>\$ 29,854</u>	<u>\$ 26,515</u>	<u>\$ 84,212</u>	<u>\$ 333,603</u>	<u>\$ 58,690</u>	<u>\$ 532,874</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Non-Major Governmental Funds
 For the Year Ended June 30, 2022

Schedule 6

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Revenues:						
Ad Valorem Taxes	\$ -	\$ 127,663	\$ 382,990	\$ 127,663	\$ -	\$ 638,316
Investment Interest	69	30	109	1,308	171	1,687
Total Revenues	<u>69</u>	<u>127,693</u>	<u>383,099</u>	<u>128,971</u>	<u>171</u>	<u>640,003</u>
Expenditures:						
Public Safety	-	-	-	21,312	-	21,312
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,312</u>	<u>-</u>	<u>21,312</u>
Excess (Deficiency) of Revenues over Expenditures	69	127,693	383,099	107,659	171	618,691
Other Financing Sources (Uses):						
Transfers Out	-	(124,000)	(372,000)	-	-	(496,000)
Total Other Sources (Uses)	<u>-</u>	<u>(124,000)</u>	<u>(372,000)</u>	<u>-</u>	<u>-</u>	<u>(496,000)</u>
Change in Fund Balances	69	3,693	11,099	107,659	171	122,691
Fund Balances:						
Beginning of the Year	<u>29,785</u>	<u>22,822</u>	<u>73,113</u>	<u>225,944</u>	<u>58,519</u>	<u>410,183</u>
End of the Year	<u>\$ 29,854</u>	<u>\$ 26,515</u>	<u>\$ 84,212</u>	<u>\$ 333,603</u>	<u>\$ 58,690</u>	<u>\$ 532,874</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation of Paid Elected Officials
 For the Year Ended June 30, 2022

Schedule 7

<u>Name & Title</u>	<u>Address</u>	<u>Term of Office</u>	<u>Amount</u>
Robert F. Zabbia Mayor	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	\$ 105,825 *
Bry Layrisson Chief of Police	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	128,102 *
Melissa Gueldner City Council, District A	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,600
Roslind Batiste City Council, District B	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,600
Larry "Jeff" Daniels City Council, District C	125 W. Hickory Street Ponchatoula, LA 70454 (985) 386-6484	July 1, 2020 - June 30, 2024	9,600
Melvin Toomer City Council, District D	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,600
Vergil Sandifer City Council, District E	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2020 - June 30, 2024	9,600
Total			<u><u>\$ 281,927</u></u>

* Including benefits, vehicle allowance, and cell phone allowance

City of Ponchatoula, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to Agency Head
 For the Year Ended June 30, 2022

Schedule 8

Agency Head: Honorable Robert F. Zabbia, Mayor

Purpose	Amount
Salary	\$ 74,866
Benefits - Insurance	659
Benefits - Retirement	11,604
Deferred Compensation	-
Benefits - Other	5,936
Benefits - Other - Supplemental Pay	-
Car Allowance	10,800
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,200
Longevity	760
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
Total	\$ 105,825

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to the Chief of Police
 For the Year Ended June 30, 2022

Schedule 9

Agency Head: Honorable Bry Layrisson, Chief of Police

Purpose	Amount
Salary	\$ 68,832
Benefits - Insurance	16,413
Benefits - Retirement	23,569
Deferred Compensation	-
Benefits - Other	6,588
Benefits - Other - Supplemental Pay	-
Car Allowance	10,800
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,200
Longevity	700
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
Total	\$ 128,102

See independent auditor's report.

City of Ponchatoula, Louisiana
Justice System Funding Schedule – Collecting / Disbursing Entity
For the Year Ended June 30, 2022

Schedule 10

	First Six- Month Period Ended 12/31/21	Second Six- Month Period Ended 06/30/22
	<u> </u>	<u> </u>
Beginning Balance of Amounts Collected	\$ -	\$ -
Add: Collections		
Criminal Court Costs / Fees	12,604	16,411
Criminal Fines - Other	<u>54,576</u>	<u>63,456</u>
Subtotal Collections	67,180	79,867
Less: Disbursements to Governments & Nonprofits		
21st Judicial District Indigent Defender - Criminal Court Costs / Fees	7,590	10,101
Crimestoppers - Criminal Court Costs / Fees	441	617
Florida Parishes Juvenile Justice Commission - Criminal Court Costs / Fees	1,117	1,553
Louisiana Association of Chief of Police - Criminal Court Costs / Fees	225	195
Louisiana Commission on Law Enforcement - Crime Victim's Reparation - Criminal Court Costs / Fees	263	181
Louisiana Commission on Law Enforcement - Post Law Enforcement - Criminal Court Costs / Fees	566	781
Louisiana Department of Health - Traumatic Head and Spinal Cord - Criminal Court Costs / Fees	100	205
Louisiana Supreme Court - Louisiana Judicial College - Criminal Court Costs / Fees	106	150
Office of State Police - Criminal Court Costs / Fees	110	60
Tangipahoa Parish - Coroner's Operation Fund - Criminal Court Costs / Fees	340	242
Treasurer, State of Louisiana - CMIS - Criminal Court Costs / Fees	660	924
Less: Amounts Retained by Collecting Agency		
City of Ponchatoula - Criminal Fines - Other	54,576	63,456
Less: Disbursements to Individuals / 3rd Party Collection or Processing Agencies		
Appearance Bonds	1,086	1,402
Other Disbursements to Individuals	<u>-</u>	<u>-</u>
Subtotal Disbursements / Retainage	<u>67,180</u>	<u>79,867</u>
Ending Balance of Amounts Collected but not Disbursed / Retained	<u>\$ -</u>	<u>\$ -</u>
Other Information:		
Ending Balance of Amounts Assessed but Not Collected	\$ -	\$ -
Total Waivers During the Fiscal Period	\$ -	\$ -

See independent auditor's report.

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

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
www.jlrcpafirm.com


Member of
American Institute of CPAs
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, 2022, 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 February 2, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-03 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be significant deficiencies.

Report on 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,

City of Ponchatoula, Louisiana

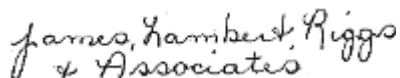
contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-006, 2022-007, 2022-008, and 2022-009.

City of Ponchatoula, Louisiana’s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City 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
February 2, 2023

City of Ponchatoula, Louisiana
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

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, 2022, 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 February 2, 2023. Our audit of the basic financial statements resulted in an unmodified opinion

Section I Summary of Auditor's Reports

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

Internal Control:

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

Compliance:

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

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

Section II Financial Statement Findings

Internal Control over Financial Reporting

Material Weaknesses

2022-001 – Update of City Written Policies and Procedures for Fiscal Controls

Condition:

During our audit and review of the City's written policies and procedures for fiscal controls, we noted that the City lacked written policies and procedures over Cash Disbursements, Contracting, Debt Service, and Information Technology Disaster Recovery / Business Continuity. We further noted that the City's written policies and procedures over Budgeting, Purchasing, Receipts / Collections, Payroll / Personnel, Ethics, and Sexual Harassment need to be updated to include procedures recommended by the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

Criteria:

Written policies and procedures that require employees to follow specific procedures designed to provide strong effective fiscal controls should be developed in order for management and employees to prevent or detect errors or irregularities in a timely manner and to adopt policies recommended by the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

Cause:

The cause of this condition appears to be that some of the written policies and procedures were originally developed in January 2013, and have not been updated since that time.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Potential Effect of Condition:

The failure to adopt strong, effective written policies and procedures for fiscal controls and require employees to adhere to these written policies and procedures creates an environment in which errors or irregularities could occur and not be detected timely. Additionally, this could result in the City being in noncompliance with laws and regulations.

Recommendation:

We recommend the City prepare a comprehensive written policy for fiscal controls and incorporate the policies and procedures recommended by the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

Management's Response:

See management's response dated February 9, 2023.

2022-002 – Financial Statement Preparation and Bank Account Reconciliation Procedures

Condition:

In early March 2022, the City underwent an accounting software conversion, which affected general ledger accounting, utility billing, capital assets, occupational licenses, building permits, and other financial processes. During our audit and testing of internal controls over financial statement preparation and bank account reconciliation procedures, we noted the following material weaknesses because of this software conversion:

- Financial statements were not available to be provided to the City Council for the period March 2022 through August 2022.
- The March 2022 through November 2022 bank reconciliations for the City's Central Depository bank account were not fully reconciled until December 2022.
- A member of senior management who is not involved in the daily accounting processes did not review the bank reconciliations for the period March 2022 through November 2022.

Criteria:

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

Cause:

This condition was caused by difficulties encountered during the City's accounting software conversion in early March 2022, which led to delays in the accounting department completing their monthly processes on time.

Potential Effect of Condition:

The failure of the City to timely reconcile its primary bank account and provide monthly budget reports to the City Council and department heads could result in significant errors or irregularities occurring that would not be detected by employees or management on a timely basis in the normal course of performing their assigned

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

duties. Furthermore, the failure to provide the City Council with current, accurate monthly budget reports could be a violation of the Local Government Budget Act.

Recommendation:

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

Management's Response:

See management's response dated February 9, 2023.

2022-003 – Lack of Adequate Internal Controls over Payroll Processing

Condition:

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

- For six employee personnel files selected for testing, we noted the "Personnel Status Information Form" did not contain the signatures of either department supervisors, Finance Manager, or the Mayor documenting approval of the employee's pay rate.
- For the pay periods selected for testing, timecards for the Public Works Department and the shift schedule for the Fire Department did not contain the employee's signature to certify their hours worked.
- For the pay period selected for testing, the City Hall employee's time sheet did not contain a supervisory signature to certify hours worked by the employee.
- For the pay periods selected for testing, the time and attendance records for two employees did not contain a leave request form to correspond with the paid leave. For another pay period selected for testing, an employee did complete a leave request form, but it was not signed by their immediate supervisor.
- There is no evidence that the Payroll Clerk is reconciling the summarized department time and attendance reports to the underlying timesheets or timecards signed by the employees. Additionally, there is no evidence that the Payroll Clerk is reconciling the summarized department time and attendance reports to the final payroll register before processing payroll.
- There is also no documentary evidence of the Payroll Clerk's work being reviewed by an individual independent of the payroll processing function. As a result, the following errors were noted:
 - The Federal Form 941 for the 2nd Quarter 2022 was filed late resulting in late filing penalties assessed against the City.
 - The Louisiana State Withholding payments for April 2022 and June 2022 were made late.

Criteria:

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

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Cause:

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

Effect:

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

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

Recommendation:

We recommend the following specific actions to improve existing controls:

- Each employees' personnel file should contain the "Personnel Status Information Form" signed by the department supervisor, Finance Manager, or the Mayor evidencing the employee's current pay rate along with any subsequent changes.
- All employees and their immediate supervisors should sign the employee's time and attendance sheet certifying their hours worked.
- The Payroll Clerk should reconcile all approved employee timesheets / timecards to the summary reports prepared by each department supervisor. Any differences should be resolved with the employee and their department supervisor prior to processing payroll checks.
- An individual independent of the payroll processing function should review and approve all work of the Payroll Clerk before each payroll submission.
- All payroll reports must be filed prior to their respective due dates to avoid the possible assessment of penalties and interest.

Management's Response:

See management's response dated February 9, 2023.

Significant Deficiencies

2022-004 – Lack of Adequate Restricted Cash and Investments for Utility Customer Deposits

Condition:

During our audit and testing of utility customer deposits, it was noted that the City had a liability payable to utility customers for security deposits totaling \$371,284. The amount of money available in the security deposits cash and investment accounts totaled \$333,553, a shortfall of \$37,731.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Criteria:

Utility customer deposits are recorded as a liability in the City's Water Enterprise Fund as these deposits are owed to the customers. Best practices for water utilities require the City to have sufficient cash on hand at all times to cover the total amount of customer deposits.

Cause:

The cause appears to be an oversight on the part of management.

Potential Effect of Condition:

By not having adequate restricted cash or investments on hand, the City does not have enough restricted assets to pay out all utility customer deposits on demand.

Recommendation:

We recommend the City transfer funds from the Water Enterprise Fund's operating bank account to the restricted cash or restricted investment account sufficient to cover the shortfall. We also recommend that the balance of the restricted cash and restricted investment accounts be monitored on a monthly basis to determine if the balances in these funds adequately cover the amount in the customer liability account.

Management's Response:

See management's response dated February 9, 2023.

2022-005 – Utility Billings and Collections

Condition:

On June 14, 2021, the City Council accepted and approved a water rate study and adopted a rate increase for all City water customers, effective July 1, 2021. During our audit and testing of internal controls over utility billing and collections, we noted the commercial rate increases approved by the City Council were not updated in the utility billing system for a group of commercial businesses. As a result, these businesses were not charged the correct rate for the period July 2021 through November 2022, when the auditor brought this matter to the attention of the Utility Clerk.

Criteria:

Strong internal controls over utility billing and collections are required to ensure that customers are billed the amounts that are set by Ordinance by the City Council.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Cause:

This condition was caused by the lack of oversight from senior management to confirm in the utility billing accounting system that the new rates were correct for this group of commercial customers.

Potential Effect of Condition:

The failure of the City to bill this group of commercial customers the rates established by Ordinance by the City Council resulted in approximately 17 months of loss revenue by the City.

Recommendation:

We recommend the City immediately review all commercial and residential customers to determine that the rates being billed to customers agree to the rates established by Ordinance by the City Council. We also recommend the City document this review in writing.

Management's Response:

See management's response dated February 9, 2023.

Compliance and Other Matters

2022-006 – Compliance with the Local Government Budget Act

Condition:

The City did not comply with certain provisions of the Local Government Budget Act in adopting either the budget for the fiscal year ended June 30, 2022 or the fiscal year ending June 30, 2023.

Criteria:

Budget procedures applicable to the City are specified in state law, Louisiana Revised Statute (LRS) 39:1301-1315. The pertinent parts of the law and the manner in which the City did not comply are as follows:

- LRS 39:1305(C)(1) requires the following:

“A budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.”

For the fiscal year ended June 30, 2022 and the fiscal year ending June 30, 2023, the proposed budget presented to the City Council and made available for public inspection did not include a budget message as required.

- LRS 39:1305(C)(2)(a) requires the City to prepare the budget using a specific format as follows:

“...Such statements shall also include a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.”

For the fiscal year ended June 30, 2022 and the fiscal year ending June 30, 2023, the proposed budget provided to the City Council and made available for public inspection did not contain the specific requirements stated above.

- LRS 39:1305(F)(2) requires the City to propose and adopt the budget in the following manner:

“...The governing authority of any such municipality may amend the proposed budget and attendant budget adoption instrument only to the extent that the amendments do not substantially change the proposed budget or the attendant budget adoption instrument.”

For the fiscal year ended June 30, 2022, the General Fund’s proposed budget introduced to the City Council differed from the proposed budget discussed at the public hearing a month later. The proposed budget discussed at the public hearing showed increases in proposed revenues of \$590,000, or 8.76% and increases in proposed expenditures of \$344,100, or 3.05% from the budget originally introduced to the City Council.

For the fiscal year ended June 30, 2023, the General Fund’s proposed budget introduced to the City Council differed from the proposed budget discussed at the public hearing a month later. The proposed budget discussed at the public hearing showed increases in proposed revenues of \$268,900, or 3.33% and increases in proposed expenditures of \$729,240, or 5.39% from the budget originally introduced to the City Council.

- LRS 39:1307(B) requires the City to make the budget available for public inspection:

“Upon completion of the proposed budget and, if applicable, its submission to the governing authority, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing...”

For the fiscal year ended June 30, 2022, the notice of the public hearing published in the Official Journal on May 13, 2021, did not state that the budget was available for public inspection.

For the fiscal year ending June 30, 2023, no notice of the public hearing was published in the Official Journal.

- LRS 39:1307(D) requires the City to certify completion of the budget process:

“The political subdivision shall certify completion of all action required by this Section by publishing a notice in the same manner as is herein provided for the notice of availability of the proposed budget and public hearing.”

For the fiscal year ended June 30, 2022 and the fiscal year ending June 30, 2023, no notice was published in the Official Journal certifying that the City had completed all actions required by State law to adopt the budget.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

- LRS 39:1311(A)(2) requires the City to amend the budget when:

“Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.”

For the fiscal year ended June 30, 2022, the City Council was not provided a monthly budget vs actual financial report for the period March 2022 through June 2022 to allow the City Council to monitor the City’s operating budget. The 1965 Sales Tax Fund had actual total expenditures and other uses of \$2,982,093 and budgeted total expenditures and other uses of \$2,753,000, for an unfavorable variance of (8.32%).

Cause:

The cause of this condition appears to be a lack of understanding of the specific requirements of the Local Government Budget Act by City personnel in preparing the proposed budget and a failure to properly amend the budget when expenditures and other uses exceeded budgeted amounts by more than 5% in the 1965 Sales Tax Fund.

Effect:

Failure to follow the precise requirements of the Local Government Budget Act resulted in the City not complying with the budget laws specified in LRS 39:1301-1315 for the fiscal year ended June 30, 2022 or the fiscal year ending June 30, 2023.

Recommendation:

We recommend that the City familiarize itself with all aspects of the Local Government Budget Act and adopt and amend budgets according to LRS 39:1301-1315. We also recommend the City continue to monitor its financial statements regularly and amend the budgets as needed.

Management’s Response:

See management’s response dated February 9, 2023.

2022-007 – Possible Violation of Louisiana Code of Governmental Ethics

Condition:

During the audit and review of the City compliance with laws and regulations, we noted the City paid \$485 for products to a business owned by the Court Clerk, a City employee, which is a possible violation of the Louisiana Code of Governmental Ethics.

Criteria:

LRS 42:1111(A)(1)(a) states *“No public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position.”*

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Cause of Condition:

The cause of this condition appears to be the City employees' failure to follow the requirements of the Louisiana ethics law, the City's written ethics policy, and the annual ethics training required of all City employees.

Potential Effect of Condition:

The potential effect of this condition is the City may not have been in compliance with state law regarding ethics for public employees.

Recommendation:

We recommend the City update its written policy regarding ethics for City employees to (1) include the prohibitions as defined in LRS 42:1111-1121; (2) to include a system for the City to monitor possible ethics violations; and (3) include a requirement that documentation is maintained to demonstrate that all employees and officials were notified on any changes to the City ethics policy.

Management's Response:

See management's response dated February 9, 2023.

2022-008 – Possible Violation of the Lawrason Act

Condition:

During our audit and review of selected contracts, we noted the City executed two contracts without the approval of the City Council either by action at an open meeting or by prior funding authorization in the City budget. The first contract was with Data Center, Inc. for redistricting services and the second contract was with Omega Builders for Hurricane Ida repairs to City owned buildings.

Criteria:

The Louisiana Attorney General has stated in numerous past opinions that approval from the City Council is required for all contracts. Attorney General Opinion No. 11-0084 states in part, "*As a general rule, a mayor acting alone is without power to execute a contract binding on the City in the absence of an ordinance or resolution by the governing council authorizing him to do so.*" This approval can include prior funding authorization in the City budget adopted by the City Council.

Cause of Condition:

The cause of this condition appears to be a misunderstanding of the division of authority and checks and balances provided in the Lawrason Act (LRS 33:321-463) between the Mayor and the City Council.

Potential Effect of Condition:

The potential effect of this condition is the City may not have complied with state law or the local budget ordinance regarding the execution of these two contracts.

City of Ponchatoula, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Recommendation:

We recommend the Mayor obtain Council approval for all contracts or identify in the minutes that the contract has been previously approved by funding appropriation in the City budget by the City Council. We further recommend the City adopt a written policy regarding contracts in accordance with the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

Management's Response:

See management's response dated February 9, 2023.

2022-009 – Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year

Condition:

The City did not comply with certain provisions of State law regarding the timely completion of its annual financial statement audit.

Criteria:

LRS 24:513(A)(5)(a)(i) requires the City to complete its annual audit in the following manner:

“In lieu of examinations of the records and accounts of any office subject to audit or review by the legislative auditor, the legislative auditor may, at his discretion, accept an audit or review report prepared by a licensed certified public accountant...Such audits shall be completed within six months of the close of the entity's fiscal year...”

For the year ended June 30, 2022, the City's audit was not completed until February 2, 2023.

Cause:

This condition was caused by the accounting records of the City not being available for audit until November 2022 as a result of an accounting software conversion that took place in early March 2022.

Effect:

As a result of this violation, the City did not comply with reporting requirements of the Louisiana Legislative Auditor's office.

Recommendation:

We recommend the City have their accounting records closed and ready to be audited by September 15 of each fiscal year to give the auditors sufficient time to complete the audit by the required deadline.

Management's Response:

See management's response dated February 9, 2023.

City of Ponchatoula, Louisiana
Summary Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2022

Internal Control over Financial Reporting

None

Compliance and Other Matters

None



ROBERT F. "BOB" ZABBIA
Mayor

February 9, 2022

James, Lambert, Riggs, & Associates,

Below are the Management Responses to the Independent Auditor's Reports and Finding and Recommendations.

- 2022-001 Update of City Written Policies and Procedures for Fiscal Control

Management's Response:

We will be meeting shortly to upgrade our policies and procedures as recommended by the Louisiana Legislative Auditors.

- 2022-002 Financial Statement Preparation and Bank Account Reconciliation Procedures

Management's Response:

Before the software conversion, the financials were timely. We have begun to delegate some of the duties from within to expedite preparations of bank reconciliations and financials.

- 2022-003 Lack of Adequate Internal Controls over Payroll Processing

Management's Response:

We are reviewing Control Issues and implementing changes.

- 2022-004 Lack of Adequate Restricted Cash and Investments for Utility Customer Deposits

Management's Response:

Monies have been transferred to the restricted accounts to cover all customer refundable deposits. We will verify these funds monthly.



- 2022-005 Utility Billings and Collections

Management's Response:

In the beginning of December 2022, both commercial and residential rates were reviewed. Some service codes were added to reflect new services and others were removed to avoid confusion. All rates have been verified to agree with rates approved by City Council. There will be future reviews and separation of services between commercial and residential to further ease rate changes.

Only 4 commercial customers had wrong rates, these have been corrected.

- 2022-2006 Compliance with the Local Government Budget Act

Management's Response:

Our Official Journal is published weekly. On May 10, 2022 at 9:15am, an email was sent to the Ponchatoula times requesting the Amended 2021-2022 Budget and the 2022-2023 Proposed Budget be printed. Mary responded having received the request, but the budgets did not appear in the following weeks' paper. (See attached)

There was one additional untimely transfer from the 1965 Sales Tax Fund. The budget allowed for twelve payments at \$227,500 each. When the mistake was discovered, I had hoped to transfer the money back before year end; therefore I did not amend the budget figures.

- Possible Violation of Louisiana Code of Governmental Ethics

Management's Response:

The Ethics Board has addressed this issue and concludes, there shall be no more invoices of this nature to be paid by the city. This issue has been resolved.

- 2022-008 Possible Violation of the Lawrason Act

Management's Response:

On November 8, 2021 the Public Meeting Notice and Agenda listed #4 Cedric Floyd- Data Center, LLC – Redistricting Presentation. In the minutes for the November 8, 2021 meeting Mr. Cedric Floyd, President of Data Center, LLC explained how and why the city will have to go through redistricting due to the 2020 Census. (See attached)

The second contract in question was for Omega Builders for Hurricane Ida repairs. We contacted Ronald J Perrin General Construction, he was unavailable to help. He has work out two years ahead. We contacted William Wainwright Construction and Maintenance, he too was unavailable for months.

- 2022-009 Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year

Management's Response:

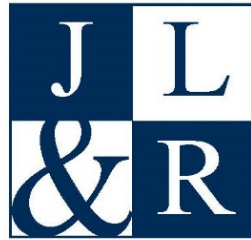
Prior to the software conversion, all audits were prepared and submitted in a timely fashion. We were in constant contact with Harris Local Government Software to correct the issues. Some of the problems involved entries on the General Ledger but not on the Bank Reconciliation, preventing journal entries to be made to correct the discrepancies. These corrections had to be made by Harris.

[Handwritten signature]
HARRIS
2/9/23

Cheryl R Hoover
Finance Manager
2/9/2023

CITY OF PONCHATOULA, LOUISIANA
STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT
FOR THE YEAR ENDED JUNE 30, 2022

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



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


Member of
American Institute of CPAs
Society of Louisiana CPAs

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The City of Ponchatoula (the "City")'s management is responsible for those C/C areas identified in the SAUPs.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are detailed in Schedule "A".

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

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

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

*James Lambert Riggs
& Associates*

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana
February 2, 2023

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - **Results:** The City has a written policy on Budgeting; however, it does not address the specific procedures and timeline for preparing, adopting, monitoring and amending the budget.
 - 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:** The City has a written policy on Purchasing; however, the policy language needs to be expanded to include item (2) how vendors are added to the vendor list, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - **Results:** The City does not have a written policy regarding Disbursements.
 - d) **Receipts / Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - **Results:** The City has a written policy on Receipts / Collections; however, it does not cover all of the specific procedures mentioned above.
 - e) **Payroll / Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - **Results:** The City has a written policy on Payroll / Personnel; however, the policy language needs to be expanded to include items (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules above.
 - 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 does not have a written policy regarding 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- **Results:** No exceptions were noted as a result for the above listed procedures.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- **Results:** The City has a written policy for Ethics; however, the policy language needs to be expanded to include items (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure / EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- **Results:** The City does not have a written policy regarding Debt Service.
- k) **Information Technology Disaster Recovery / Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing / verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches / updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- **Results:** The City does not have a written policy regarding Information Technology Disaster Recovery / Business Continuity.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.
- **Results:** The City has a written policy on sexual harassment; however, the policy language needs to be expanded to include items (2) annual employee training, and (3) annual reporting of compliance with Sexual Harassment Policy.

Board or Finance Committee

2. Obtain and inspect the board / finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board / finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - **Results:** No financial statements were available to the City Council for March 2022 through June 2022.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - **Results:** No exceptions were noted as a result for the above listed procedures.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - **Results:** The City underwent an accounting software conversion in early March 2022. Prior to the conversion, the five selected bank accounts were prepared within 2 months of the statement closing date. However, after the software conversion, three of the five selected accounts were not completed within 2 months of the related statement closing date.
 - b) Bank reconciliations include evidence that a member of management / board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - **Results:** The City underwent an accounting software conversion in early March 2022. Prior to the conversion, the five selected bank account reconciliations were reviewed by a member of management /

board member who is not involved in the accounting process. After the software conversion, none of the five selected bank account reconciliations were reviewed by a member of management / board member who is not involved in the accounting process.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
- **Results:** Two of the five accounts selected had outstanding reconciling items for more than 12 months from the statement closing date. There is no written documentation to determine that management researched these reconciling items that were outstanding for more than 12 months from the statement closing date.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash / checks / money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees responsible for cash collections do not share cash drawers /registers.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- b) Each employee responsible for collecting cash is not responsible for preparing / making bank deposits, unless another employee / official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee / official is responsible for reconciling ledger postings to each other and to the deposit.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and / or subsidiary ledgers, by revenue source and / or agency fund additions, are not responsible for collecting cash, unless another employee / official verifies the reconciliation.
- **Results:** No exceptions were noted as a result for the above listed procedures.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
 - **Results:** No exceptions were noted as a result for the above listed procedures.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - e) Trace the actual deposit per the bank statement to the general ledger.
 - **Results:** No exceptions were noted as a result for the above listed procedures.

Non-Payroll Disbursements (excluding card purchases / payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order / making the purchase.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - c) The employee responsible for processing payments is prohibited from adding / modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - **Results:** The City changed accounting software in early March 2022. Prior to the conversion, the Finance Manager reviewed all new vendor additions to the City's accounting software. Following the conversion, the Finance Manager has not been reviewing new vendor additions to the City's accounting software.
 - d) Either the employee / official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - **Results:** Checks are physically mailed by the Accounts Payable Clerk, who is also responsible for processing cash disbursement payments.

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

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial / date, electronic logging) of segregation of duties tested under #9, as applicable.
 - **Results:** One of the five transactions selected did not contain the proper approval signatures / initials on the face of the invoice.

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

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit / debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [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:** No exceptions were noted as a result for the above listed procedures.

b) Observe that finance charges and late fees were not assessed on the selected statements.

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business / public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

- **Results:** Two of the five cards selected had exceptions to the above listed procedures. For one card, four transactions took place during the month. One of the four transactions contained documentation related to the issuance of a purchase order for that particular transaction, but no related itemized receipt identifying what was purchased was available.

For another card, two transactions took place during the month. One of the two transactions contained a "Credit Card Authorization Form" for a hotel visit, but no itemized receipt for the hotel was provided. Additionally, an attached purchase order noted only "Staying for Class" as the only written documentation of the business / public purpose.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5

reimbursements, obtain the related expense reimbursement forms / prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - **Results:** No exceptions were noted as a result for the above listed procedures.
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - **Results:** No exceptions were noted as a result for the above listed procedures.
- c) Observe each reimbursement is supported by documentation of the business / public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - **Results:** One of the five reimbursements selected did not have the business / public purpose documented. It was also missing the date and times of departure and arrival per the City's written policies and procedures.
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - **Results:** Two of the five reimbursements selected did not have the supervisor or management's approval signature on the reimbursement form.

Contracts

15. Obtain from management a listing of all agreements / contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - **Results:** One of the five contracts selected was subject to Louisiana Public Bid Law. This contract, however, was a "piggyback" contract from another local government entity. No written documentation was maintained in the contract file to verify the other governmental agency complied with the requirements of the Louisiana Public Bid Law.
 - b) Observe whether the contract was approved by the governing body / board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - **Results:** Two of the five contracts selected were not approved by the City Council either at an open meeting of the Council or by funding authorization in the original City budget.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- **Results:** Three of the five contracts selected did not have the original written contract available, so it could not be determined if the original contract was amended.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.
- **Results:** Three of the five contracts selected did not have the original contract available, so it could not be determined if the payment terms agreed to the contract.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries / pay rates in the personnel files.
- **Results:** No exceptions were noted as a result for the above listed procedures.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and / or contract, the official should document his / her daily attendance and leave.)
- **Results:** All five selected employees / officials had timesheets or timecards for the selected pay period. Three out of the five employees / officials tested did not sign their timesheet / timecards.
- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- **Results:** No exceptions were noted as a result for the above listed procedures.
- d) Observe the rate paid to the employees or officials agree to the authorized salary / pay rate found within the personnel file.
- **Results:** No exceptions were noted as a result for the above listed procedures.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

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

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

- **Results:** The quarterly Form 941, Employer's Quarterly Federal Tax Return for the quarter ended June 30, 2022, was filed late. The April 2022, and the June 2022, Louisiana State Withholding payments were paid late.

Ethics

20. Using the 5 randomly selected employees / officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

a) Observe whether the documentation demonstrates each employee / official completed one hour of ethics training during the fiscal period.

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

b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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

Debt Service

21. Obtain a listing of bonds / notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

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

22. Obtain a listing of bonds / notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond / note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

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

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

Information Technology Disaster Recovery / Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

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

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

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

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

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

Sexual Harassment

26. Using the 5 randomly selected employees / officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee / official completed at least one hour of sexual harassment training during the calendar year.
- **Results:** For the 5 selected employees / officials, no written evidence was noted documenting that the selected employees / officials obtained at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
- **Results:** No exceptions were noted as a result for the above listed procedures.
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
- **Results:** The City did not prepare the annual sexual harassment report in accordance with R.S. 42:344.
- b) Number of sexual harassment complaints received by the agency;
- **Results:** The City did not prepare the annual sexual harassment report in accordance with R.S. 42:344.
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- **Results:** The City did not prepare the annual sexual harassment report in accordance with R.S. 42:344.
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- **Results:** The City did not prepare the annual sexual harassment report in accordance with R.S. 42:344.
- e) Amount of time it took to resolve each complaint.
- **Results:** The City did not prepare the annual sexual harassment report in accordance with R.S. 42:344.



ROBERT F. "BOB" ZABBIA
Mayor

February 9, 2022

James, Lambert, Riggs, & Associates,

Below are the Management Responses to the Statewide Agreed Upon Procedures.

1. a) The City begins the budget process in March, gathering requests for future purchases & projects per department. The March financials are prepared and dropped into the budget format. The March figures are divided by 9 and multiplied by 3 to arrive at the potential income & expenses for the remainder of the year. These are the figures used to determine the amended budget. Some lines of the budget are changed by specific project needs. The budget is then presented to council in May for review and recommendations. All necessary changes are made and the budget is presented to council for adoption in June. The city will expand on our written policy & procedures.
1. b) The City will expand our written policy on purchasing.
1. c) The City will develop a written policy regarding disbursements. However, during our review, disbursements were being handled in an efficient manner.
1. d) The City will expand our written policy on collections.
1. e) The City will be reviewing all payroll procedures and making the necessary changes.
1. f) The City will develop a written policy regarding contracts. The City observed good general controls over our contracts.
1. i) The City will expand the written Ethics policy.
1. J) The City will develop a Debt Service policy. The City has no debt now, or for several years.
1. k) The City will develop a written policy regarding Information Technology Disaster Recovery. The City currently has offsite mirror backups. We have firewalls and antivirus software on all systems.
1. l) The City will expand our written policy on Sexual Harassment
2. b) No financial statements were available to the Council because of software conversion problems.
3. b) All bank statements & reconciliations are reviewed by a member of management who is not involved in the accounting process.
9. c) The City will implement new procedures for entering new vendors
9. d) The City will implement new procedures for mailing signed checks.
15. a) The City will request copies to verify that other governmental agencies have complied with the requirements of Louisiana Public Bid Law when we "piggyback" from another local government entity.
15. b) The two contracts in question were the contract with Data Center, LLC & Omega Builders. The Data Center contract was for redistricting. It was presented before council on November 8, 2021. The



Omega Builders were contracted to do repairs after Hurricane Ida. Two other contractors were contacted, but were too busy to help us for an extended period of time. This was an emergency. Several buildings had extensive roof damage.

17. a) The City will implement additional policies regarding signatures and calculations of timesheets.

19. The City will have more supervision over timely paid and filed payroll reports.

28. The City had no sexual harassment claims filed. The City will timely file Sexual Harassment reports in accordance with R.S. 42:344

Cheryl R Hoover
Finance Manager
2/9/2023