

CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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

Release Date JAN 22 2014

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2013**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Independent Auditor's Report	-	-	1-2
Management's Discussion and Analysis	-	-	3-11
Basic Financial Statements	-	-	12
Statement of Net Position	A	-	13
Statement of Activities	B	-	14
Combined Balance Sheet - Governmental Funds	C	-	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	D	-	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	-	17
Statement of Net Position - Proprietary Fund	F		18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	G	-	19
Statement of Cash Flows - Proprietary Fund	H	-	20
Notes to the Financial Statements	-	-	21-50
Required Supplementary Information	-	-	51
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	I	-	52
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Special Revenue Fund	J	-	53

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2013**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Supplementary Information	-	-	54
Schedule of Revenues and Expenditures - General Fund	-	1	55-63
Schedule of Operating Expenses by Department - Enterprise Fund	-	2	64-66
Component Unit - City Court	-	-	67
Balance Sheet/Statement of Net Position	-	3	68
Statement of Revenues and Expenditures and Changes in Fund Balance/Activities	-	4	69
Schedule of Compensation of City Officials	-	5	70
Schedule of Expenditures of Federal Awards	-	6	71
Schedule of Insurance in Force	-	7	72
Performance and Statistical Data	-	-	73
Schedule of Utility Statistics	-	8	74
Other Reports	-	-	75
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	-	9	76-77
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	-	10	78-79
Schedule of Findings and Questioned Costs	-	11	80-83
Schedule of Prior Findings and Questioned Costs	-	12	84-87

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

The Honorable Mayor David Amrhein
and Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of Matter

For the fiscal year ended June 30, 2015, Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be implemented. The implementation of this Standard may result in a negative net position on the Statement of Net Position.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's financial statements as a whole. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the City of Zachary's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zachary, Louisiana's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Zachary, Louisiana
November 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2013. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined net position as of June 30, 2013 and June 30, 2012 were \$38,321,053 and \$34,956,314, respectively. Net position of our governmental activities were \$23,290,738 and \$21,481,025, respectively while those of our business-type activities were \$15,030,315 and \$13,475,289, respectively.
- The general fund ended the current fiscal year with a \$6,730,674 fund balance of which \$23,673 is nonspendable and \$95,734 of which applies to interfund payables. In the prior fiscal year, the general fund ended the year with a \$7,347,535 fund balance of which \$445,850 was reserved for the payment of interfund payables.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents supplemental statements and schedules. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide long-term and short-term information about the City's overall financial status and economic condition.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with more detailed schedules providing further insight into the revenue and expenses of the City.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 Major Features of City's Government and Fund Financial Statements				
	Fund Statements			
	Government-wide Statements	Government Funds	Proprietary Funds	
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and streets	Activities the City operates similar to private businesses: the water, sewer and gas systems	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expense, and changes in net position • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during year, regardless of when cash is received or paid	

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads and utilities infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works, recreation department, and general administration. Sales taxes, property taxes, intergovernmental activities and franchise fees finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, gas and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page which explains the relationship (or difference) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Position:

	Table A-1	
	City's Net Position	
	Government Activities	Government Activities
	2013	2012
Current and other assets	11,536,453	11,520,420
Capital assets	18,090,365	15,815,302
Total assets	29,626,818	27,335,722
Current liabilities	1,661,535	1,107,079
Long term liabilities	4,674,545	4,747,618
Total liabilities	6,336,080	5,854,697
Net assets:		
Net invested in capital assets	18,090,365	15,812,302
Restricted		
Unrestricted	5,200,373	7,460,067
Total net position	23,290,738	21,481,025

	Table A-1	
	City's Net Position	
	Business-Type Activities	Business-Type Activities
	2013	2012
Current and other assets	4,929,773	4,158,146
Capital assets	18,582,856	14,982,261
Total assets	23,512,629	19,140,407
Current liabilities	2,950,375	2,871,146
Long term liabilities	5,531,939	2,793,972
Total liabilities	8,482,314	5,665,118
Net assets:		
Invested in capital assets, net of related debt	16,857,601	12,168,815
Restricted funds	305,313	
Unrestricted (deficit)	(2,132,599)	1,306,474
Total net position	15,030,315	13,475,289

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities

The City's total change in net position was, \$3,364,739; \$1,809,713 from governmental activities and \$1,555,026 from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net position. The City of Zachary continues to experience an overall positive change in net position. The City is into its' second year in a major sewer rehab program using 9.3 million in bond revenue received at .95% interest form DEQ. The City has been approved for an additional 4.5 million at the same interest rate which the City plans to begin receiving in 2014. This will allow the City to replace or repair over 80% of sewer lines and lift stations that are over 5 years old. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	Table A-2	
	Changes in City's Net Position	
	Government Activities	Government Activities
	2013	2012
Revenues		
Charges for services	1,237,572	1,341,409
Fines	218,451	212,686
Grants and contributions	1,471,998	879,833
General revenues:		
Taxes	9,289,654	8,889,745
Commissions	1,246,145	1,215,394
Licenses and permits	586,961	497,084
Miscellaneous/Interest Income	822,542	483,591
Total Revenues	14,873,323	13,519,742
Expenses		
General Government	4,969,174	4,445,249
Public Safety	6,256,651	6,793,229
Streets	959,241	2,186,838
Sanitation	988,544	976,713
Total Expenses	13,173,610	14,402,029
Transfers/Capital Contributions	110,000	40,000
Increase in net position	1,809,713	(842,287)

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities (continued)

	Table A-2	
	Changes in City's Net Position	
	Business-Type Activities	Business-Type Activities
	2013	2012
Revenues		
Charges for services	6,485,708	6,623,132
General revenues:		
Miscellaneous/Interest Income	204,205	1,127,986
Total Revenues	6,689,913	7,751,118
Expenses		
Water	1,035,471	1,248,923
Gas	1,588,963	1,671,010
Sewer	847,319	831,714
General and administrative	546,897	320,587
Depreciation	1,103,038	949,089
Total Expenses	5,121,688	5,021,323
Non-operating Revenues		
(Expenses)	(13,199)	(16,296)
Increase (Decrease) in net position	1,555,026	2,713,499

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$10,758,168 consisting of \$6,730,674 in the general fund and \$4,027,494 in the special revenue fund. With the exception of \$23,673 the fund balance in the general fund and the balance in the special revenue fund are unreserved and available for spending. This is an increase from the prior year of \$74,405.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. Sales tax revenues increased by 4.5% over the previous year. There were both increases and decreases in various expenses but the overall level of budget expenses decreased. The Administration continues to budget conservatively as a result of the uncertainty in the overall economy. As noted previously, costs beyond the City's control continue to increase, i.e. retirement and insurance.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

CAPITAL ASSETS

At the end of June 2013, the City had invested \$36,598,178 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$5,875,659 over the previous year. This is a the result of the sewer rehab work, roads and two fire engines that were added to the fire fleet, these two engines totaling over 1 million dollars.

	Table A-3 City's Capital Assets			
	Government Activities		Business Activities	
	2013	2012	2013	2012
Land	2,354,222	2,354,222	47,426	29,761
Construction-in-progress	682,223	926,797	2,182,283	1,281,631
Building/Infrastructure	3,778,560	3,778,560	29,782,955	26,112,277
Road Infrastructure	10,084,687	9,122,967	-	-
Equipment	8,352,048	6,291,897	2,109,238	2,125,489
Less: Accumulated Depreciation	(7,161,376)	(6,659,142)	(15,614,089)	(14,641,940)
Total	18,090,365	15,815,301	18,507,813	14,907,218

The City has continued to progress with the sewer rehab system and with road work that has led to the increase in the capital assets of the City. This will continue into the following year as well. The City has plans to begin construction of road projects that will total over 15 million dollars. The sewer rehab will total close to 6 million in 2014. Two fire engines totaled over 1 million dollars in this budget year also. These capital assets are needed primarily as it relates to the growth over the past few years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's major sources of revenue for the general fund are sales taxes, utility franchise fees, licenses and permits, and fines. Sales taxes continue to be the largest single contributor to the finances of the City. Taxes increased from 2012 to 2013 by 4.5%. The Administration does expect to see continued increases in the sales tax revenues. These increases are expected to remain in the 4% - 5% range. An industrial park is being proposed and with the continued growth of a large commercial/residential development the City's sales tax outlook should continue to increase with the potential to grow in the double digit range. Outside economic forces will have an impact on Zachary although this impact has not been as severe to Zachary as to the level of remainder of the Nation.

One area of concern to the City is the continued increase in employee related benefits that is beyond the City's control, i.e. retirement and health insurance costs. These continue to increase every year and the trend is not expected to decline in the near future. The impact on the city's budget and the ability to forecast that budget becomes increasingly more challenging each year. Eventually, if these costs continue to rise, Cities will need to review both their hiring practices and their benefits packages offered to employees. The

Administration increased their deductible limits with the health insurance for the calendar year 2013 as a result of the increased costs. Due to the affordable healthcare act the City has had to offer new insurance plans to employees that meet the requirements of the act. Choices are now available with a low – medium – and high plan being offered. This will allow the City to somewhat temper the growth of premiums and yet still offer the employees good health coverage.

As a result of the Department of Environmental Quality's low bond rate, .95%, the City has begun a very comprehensive sewer rehab program that will overhaul the majority of the City's internal sewer system. The total bond issue will be between \$9 million and \$14 million dollars. This will result in the City not having to do any major repairs to the sewer system for the next 14 to 20 years. The City is into its' second year of the construction on the sewer and expectations are for this work to be completed in 2015. We are also working with DOTD and their transfer road fund to acquire dollars to build new road infrastructure for the City. Three major road projects will be let for bid in 2014 totaling over 15 million dollars with an expected completion date of all projects in 2015 as well.

The Administration has and will closely work with all departments and Council to effectively and efficiently administer the funds received in accordance with all Federal and State laws. The fund balance of the City remains strong and we are confident that they will be so.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions or requests for additional information should be directed to the Director of Administration, P.O. Box 310, Zachary, LA 70791, (225) 654-0287.

BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,363,888	\$ 1,251,283	\$ 8,615,171	\$ 118,190
Certificates of deposit	1,602,269	-	1,602,269	-
Account receivable	1,212,235	1,151,118	2,363,353	-
Accrued interest receivable	1,832	-	1,832	-
Other receivables	1,332,556	1,244,030	2,576,586	-
Prepaid expenses	23,673	25,931	49,604	-
Inventory	-	187,766	187,766	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	664,332	664,332	-
Investments	-	100,000	100,000	-
Utility revenue bond:				
Cash and cash equivalents	-	305,313	305,313	-
Capital assets:				
Land and construction in progress	3,036,444	2,229,709	5,266,153	-
Depreciable capital assets, net of depreciation	15,053,921	16,278,104	31,332,025	134,863
Other assets:				
Deferred charges -issue costs	-	75,043	75,043	-
TOTAL ASSETS	\$ 29,626,818	\$ 23,512,629	\$ 53,139,447	\$ 253,053
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 809,931	\$ 1,387,903	2,197,834	\$ -
Other payables	64,090	611,799	675,889	-
Interfund balances	(95,734)	95,734	-	-
Customer meter deposits	-	648,616	648,616	-
Long-term debt:				
Other Post employment benefits	4,674,545	-	4,674,545	-
Due within one year	883,248	206,323	1,089,571	32,000
Due beyond one year	-	5,531,939	5,531,939	64,000
TOTAL LIABILITIES	6,336,080	8,482,314	14,818,394	96,000
NET POSITION				
Net invested in capital assets	18,090,365	16,857,601	34,947,966	38,863
Restricted	-	305,313	305,313	-
Unrestricted	5,200,373	(2,132,599)	3,067,774	118,190
TOTAL NET POSITION	\$ 23,290,738	\$ 15,030,315	\$ 38,321,053	\$ 157,053

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes In Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary Government:							
<i>Governmental Activities:</i>							
General Government	\$ 4,969,174	\$ 132,194	\$ 381,692	\$ (4,455,288)	\$ -	\$ (4,455,288)	\$ -
Streets	959,241	-	61,845	(897,396)	-	(897,396)	-
Public Safety	6,256,651	48,845	1,028,461	(5,179,345)	-	(5,179,345)	-
Sanitation	988,544	1,056,533	-	67,989	-	67,989	-
Total Governmental Activities	13,173,610	1,237,572	1,471,998	(10,464,040)	-	(10,464,040)	-
<i>Business-type Activities:</i>							
Enterprise - Utilities	5,144,586	5,915,088	774,825	-	1,545,327	1,545,327	-
Total Business-type Activities	5,144,586	5,915,088	774,825	-	1,545,327	1,545,327	-
Total Primary Government	18,318,196	7,152,660	2,246,823	(10,464,040)	1,545,327	(8,918,713)	-
Component Units							
Judicial services	730,296	851,648	-	-	-	-	121,352
Total Component Units	730,296	851,648	-	-	-	-	121,352
<i>General Revenues:</i>							
Taxes				9,289,654	-	9,289,654	-
Fines				218,451	-	218,451	-
Commissions				1,246,145	-	1,246,145	-
License and permits				586,961	-	586,961	-
Interest income				8,460	787	9,247	-
Others				814,082	8,912	822,994	-
Transfers				110,000	-	110,000	(110,000)
Total general revenues and transfers				12,273,753	9,699	12,283,452	(110,000)
Change in net position				1,809,713	1,555,026	3,364,739	11,352
NET POSITION, Beginning				21,481,025	13,475,289	34,956,314	145,701
NET POSITION, Ending				\$ 23,290,738	\$ 15,030,315	\$ 38,321,053	\$ 157,053

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,146,564	\$ 2,217,324	\$ 7,363,888
Certificates of deposit	-	1,602,269	1,602,269
Sales tax receivable	1,003,792	208,443	1,212,235
Other receivables	1,332,556	1,832	1,334,388
Prepaid expenses	23,673	-	23,673
Accrued interest receivable	-	-	-
Due from other funds	95,734	-	95,734
TOTAL ASSETS	<u>\$ 7,602,319</u>	<u>\$ 4,029,868</u>	<u>\$ 11,632,187</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 807,555	\$ 2,376	\$ 809,931
Other payables	64,090	-	64,090
Due to other funds	-	-	-
Total liabilities	<u>871,645</u>	<u>2,376</u>	<u>874,021</u>
Fund balance:			
Nonspendable	23,673	-	23,673
Committed	-	4,027,492	4,027,492
Unassigned	6,707,001	-	6,707,001
Total fund balances	<u>6,730,674</u>	<u>4,027,492</u>	<u>10,758,166</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,602,319</u>	<u>\$ 4,029,868</u>	
Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Cost of capital assets at June 30, 2013		25,251,741	
Less: accumulated depreciation at June 30, 2013		<u>(7,161,376)</u>	18,090,365
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:			
Note Payable - litigation		\$ -	
OPEB Liability		(4,674,545)	
Capital lease obligation		(33,584)	
Claims and judgements payable - vehicle sales tax		(105,838)	
Compensated absences		<u>(743,826)</u>	(5,557,793)
Net position of governmental activities			<u>\$ 23,290,738</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 7,873,554	\$ 1,416,100	\$ 9,289,654
Licenses and permits	586,961	-	586,961
Intergovernmental	1,471,998	-	1,471,998
Charges for services	1,237,572	-	1,237,572
Commissions	1,246,145	-	1,246,145
Fines	218,451	-	218,451
Proceeds from loan	-	-	-
Miscellaneous	814,752	7,790	822,542
TOTAL REVENUES	13,449,433	1,423,890	14,873,323
EXPENDITURES			
General Government	4,295,471	-	4,295,471
Court	358,174	-	358,174
Public Safety -			
Police	4,271,107	-	4,271,107
Fire	3,552,093	-	3,552,093
Streets	710,905	732,624	1,443,529
Sanitation	988,544	-	988,544
TOTAL EXPENDITURES	14,176,294	732,624	14,908,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(726,861)	691,266	(35,595)
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	110,000	-	110,000
TOTAL OTHER FINANCING SOURCES (USES)	110,000	-	110,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(616,861)	691,266	74,405
FUND BALANCE (DEFICIT), Beginning	7,347,535	3,336,228	10,683,763
FUND BALANCE (DEFICIT), Ending	\$ 6,730,674	\$ 4,027,494	\$ 10,758,168

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - Governmental Funds (Page 16)	\$	74,405
--	----	--------

The change in net position reported for governmental activities in the statement of activities is different because:

Capital outlay which is considered expenditures; capitalized on statement of activities		3,040,574
Net book value of assets disposed of during fiscal year		(11,583)
Depreciation expense for the year ended June 30, 2013		(753,929)
Annual OPEB expense		(837,430)
Outstanding Litigation at June 30, 2013		131,000
Redistribution of vehicle tax revenue		105,837
Principal payments of capital lease		33,584
Proceeds from loan		-
Excess of compensated absences earned over compensated absences used		27,255
		<hr style="width: 100%;"/>
Change in net position of governmental activities (Page 14)	\$	<u>1,809,713</u>

The accompanying notes are an integral part of this statement.

EXHIBIT F

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,251,283
Accounts receivable (net)	1,151,118
Other receivables - federal	1,224,728
Other receivables - miscellaneous	19,302
Prepaid expense	25,931
Inventory	<u>187,766</u>
Total current assets	<u>3,860,128</u>
Restricted assets	
Customer deposits:	
Cash and cash equivalents	664,332
Investments	100,000
Utility revenue bond:	
Cash and cash equivalents	<u>305,313</u>
Total restricted assets	<u>1,069,645</u>
Capital assets	
Land	47,426
Construction in progress	2,182,283
Structures and improvements	29,782,954
Machinery and equipment	<u>2,109,238</u>
	34,121,901
Less accumulated depreciation	<u>(15,614,088)</u>
Total capital assets	<u>18,507,813</u>
Other assets	
Deferred charges - bond issue costs	<u>75,043</u>
TOTAL ASSETS	<u>\$ 23,512,629</u>
LIABILITIES	
Current liabilities (payable from current assets)	
Payable from current assets:	
Accounts payable	\$ 1,387,903
Other payables	611,799
Compensated absences	127,023
Current portion of long-term debt (note)	79,300
Due to other funds	95,734
Payable from restricted assets:	
Customers' deposits	648,616
Current portion of long-term debt (bonds)	-
Total current liabilities	<u>2,950,375</u>
Long-term liabilities	
Bonds payable	3,961,027
Notes payable	<u>1,570,912</u>
Total long-term liabilities	<u>5,531,939</u>
TOTAL LIABILITIES	8,482,314
NET POSITION	
Net invested in capital assets	16,857,601
Restricted net assets	305,313
Unrestricted	<u>(2,132,599)</u>
Total Net Position	<u>15,030,315</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,512,629</u>

The accompanying notes are an integral part of this statement.

EXHIBIT G

**CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

Charges for services:	
Water sales	\$ 2,286,022
Gas sales	2,302,203
Sewer service charges	852,541
Installation charges	120,723
Intergovernmental grant	774,825
Late fees	149,394
Miscellaneous service revenues	204,205
TOTAL OPERATING REVENUES	<u>6,689,913</u>

OPERATING EXPENSES

Water department	1,035,471
Gas department	1,588,963
Sewer department	847,319
Mechanic	15,997
Warehouse	42,745
General and administrative	488,155
Depreciation	1,103,038
TOTAL OPERATING EXPENSES	<u>5,121,688</u>

OPERATING INCOME 1,568,225

NONOPERATING REVENUES (EXPENSES)

Gain on sale of fixed assets	8,912
Interest income	787
Interest expense	(22,898)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(13,199)</u>

CHANGE IN NET POSITION 1,555,026

NET POSITION - Beginning 13,475,289

NET POSITION - Ending \$ 15,030,315

The accompanying notes are an integral part of this statement.

EXHIBIT H

CITY OF ZACHARY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Utility Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,183,820
Cash received from customer deposits	36,765
Cash payments to suppliers and employees	(2,942,373)
Cash payments to employees	(1,168,682)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>2,109,530</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(4,713,681)
Disposition of capital assets	10,049
Gain on retirement of asset	8,911
Proceeds from loan	2,962,736
Interest payments on long-term debt	(22,898)
Principal payments on note	(89,900)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u><u>(1,844,783)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	787
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u><u>787</u></u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,955,394</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,220,928</u></u>
RECONCILIATION OF CASH AS LISTED ON BALANCE SHEET:	
Unrestricted cash	\$ 1,251,283
Restricted cash	969,645
	<u><u>\$ 2,220,928</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 1,568,225
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,103,038
(Increase) in accounts receivable	(41,580)
(Increase) in other receivables	(442,312)
(Increase) in inventory	(22,364)
(Increase) in prepaid expense	163
Increase in accounts payable and accrued expenses	253,791
Increase in customer deposits	36,765
Increase in compensated absences	(3,646)
(Decrease) in due to other funds	(342,550)
Total adjustments	<u>541,305</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,109,530</u></u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 14,960 inhabitants with its boundaries located in East Baton Rouge Parish.

The accounting and reporting practices of the City of Zachary conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, and to the industry guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

Financial Reporting Entity

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Zachary, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organizations to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City of Zachary, Louisiana (the primary government) and its component unit. The component unit included in the accompanying financial statements is discretely presented.

Discretely Presented Component Unit

Component units that are legally separate from the municipality but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented. The "Component Unit" column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the municipality.

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 14 as another legally separate organization for which the elected City officials are financially accountable.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial information about the City of Zachary as a whole entity. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, while business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the assets and liabilities of each activity, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and those which are unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or functions, and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) fees, fines and charges paid by the recipients of goods, services, or privileges offered by a program 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial settlements is on major governmental and enterprise funds, each displayed in a separate column.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The daily accounts and operation of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following Major Governmental Funds:

1. General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

This fund accounts for the collection and expenditure of a one-half cent sales tax which is restricted to street improvement and maintenance.

The City reports the following Major Enterprise Fund:

Public Utilities Fund – As a proprietary fund, the public utility fund is 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 the goods and services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claim and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility department enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	35-40 years
Sewerage system	25-35 years
Gas system	35 years
Water system	12-35 years
Office equipment	5-10 years
Automotive equipment	5-10 years

Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to the Members of the Council prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Members of the Council.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with generally accepted accounting principles.

Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The level of budgeted control is total appropriations. Budgeted amounts are as originally adopted.

The original budgeted beginning fund balance is noted on the budget to actual statements in the current year to more accurately reflect the budgets as they were actually presented to the council.

Cash and Cash Equivalents and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, and certificates of deposit, are stated at cost, which approximates market. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the City may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Accounts Receivable and Bad Debt

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,151,118 are reported net of allowance for uncollectible accounts for the year ended June 30, 2013. Revenues of \$6,689,913 are reported net of uncollectible amounts for the year ended June 30, 2013.

Inventory

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid expenses.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

Restricted assets included cash and cash equivalents that are legally restricted as to their use. The restricted assets are related to the customers' water deposits and restricted LAMP funds and bond accounts.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the individual funds. These interfund receivables/payables are classified on the balance sheet as "Due from Other Funds" or "Due to Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Compensated Absences

Employees earn up to 30 days vacation leave each year, depending on their length of service. Vacation leave can be accumulated. Upon termination, all unused vacation is paid to the employee up to a maximum of 60 days.

Employees earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for the accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In compliance with GASB Statement 16, the City records a liability for earned vacation and sick leave and reflects the liability for this on the government-wide financial statements.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2013, in the governmental fund financial statements.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Obligations

In 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 fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Net Position

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for Local and State Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following component of net position:

- *Net invested in capital assets* – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws, or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net invested in capital assets."

Operating Transfers

Advances between funds which are not expected to be repaid are accounted for as operating transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts. These are eliminated in the government-wide statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months, or less when purchased to be cash equivalents.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Equity

City of Zachary, Louisiana elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, fund balance of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations or other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Councilmen.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes.

Unassigned – All other spendable amounts.

As of June 30, 2013, all fund balances are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 23,673	\$ -	\$ 23,673
Committed:			
Capital Outlay	-	4,027,492	4,027,492
Unassigned	<u>6,707,001</u>	<u>-</u>	<u>6,707,001</u>
Total Fund Balances	<u>\$ 6,730,674</u>	<u>\$ 4,027,492</u>	<u>\$ 10,758,166</u>

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the City or the assignment has been changed by the City. Decreases in fund balance first reduce Unassigned fund balance; in the event that Unassigned becomes zero, then Assigned and Committed fund balances are used in that order.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2013, the City of Zachary, Louisiana had cash and cash equivalents (book balances) totaling \$9,584,816 and bank balances totaling \$10,601,370 as follows:

Non-interest bearing demand deposits	\$ 1,772,134
Interest bearing demand deposits	<u>8,829,236</u>
Total	<u><u>\$ 10,601,370</u></u>

The deposits are stated at cost, which approximates market.

Security on Deposits:

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2013, the City had the following security on deposits as shown on the following page:

	Primary Government			Component Unit - City Court
	Cash	Nonnegotiable Certificates of Deposit	Total	Cash
	Cash	Deposit	Total	Cash
Deposits per Balance Sheet (Reconciled bank balance)	\$ 9,584,816	\$ 1,702,269	\$ 11,287,085	\$ 118,190
Deposits in bank accounts per bank	\$ 10,601,370	\$ 1,702,269	\$ 12,303,639	\$ 150,418
Bank balances exposed to custodial credit risk:			\$ 11,778,717	\$ 150,418
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			<u>\$ 11,778,717</u>	<u>\$ 150,418</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

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

Investments:

Investments of the City of Zachary, Louisiana consist of certificates of deposit, U.S. government securities, and Louisiana Asset Management Pool investments. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The City used quoted market values to determine fair value of the investments.

Interest Rate Risk – The City of Zachary has no formal investment policy, but has adopted the state investment policy at LA RS 49:327. The City invests in investments with maturities limited to five year as means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, U.S. government securities, and LAMP investments. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2013, \$11,778,717 of the City's bank balances of \$12,303,639 were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Concentration of Credit Risk – The City places no limits on the amount they may invest in any one issuer.

The City of Zachary, Louisiana had the following investments at June 30, 2013:

Descriptions	Cost	Fair Value	Maturity Date	Interest Rate
Certificates of deposit - Various banks	\$ 1,702,269	\$ 1,702,269	7/15/13-9/12/13	.45-.80%
Louisiana Asset Management Pool	1,216	1,216	see below	0.14%
Total Investments	\$ 1,703,485	\$ 1,703,485		

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Certificates of Deposit

At June 30, 2013, the City held certificates of deposit, with an original maturity greater than 90 days, totaling \$1,702,269. These investments are stated on the balance sheet at market value.

Louisiana Asset Management Pool, Inc.

Investments held at June 30, 2013 consist of \$1,216 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Sections 150.126, the investment in LAMP at June 30, 2013 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

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

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

- *Credit risk:* LAMP is rated AAAM by Standard & Poor's.
- *Custodial credit risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of credit risk:* Pooled investments are excluded from the 5 percent disclosure requirement.
- *Interest rate risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM of LAMP's total investments is 71 as of June 30, 2013.
- *Foreign currency risk:* Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The receivables at June 30, 2013 are as follows:

Description	Governmental Activities	Business-type Activities
Fire Dept.- State Grant	\$ 478,562	\$ -
Fines	16,013	-
Sales tax	1,212,235	-
Charge for services	283,061	1,151,118
Garbage collection fees	298,481	-
Commissions	64,906	-
Federal grant	-	273,201
Federal Loan Project	-	951,526
Other	193,365	19,303
Total	\$ 2,546,623	\$ 2,395,148

NOTE D: RESTRICTED ASSETS

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest bearing account which is designated specifically for meter deposits. At June 30, 2013, customer deposits amounted to \$764,332.

Certain resources are set aside for repayment of bond indebtedness and are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances. The following schedule summarizes the current year transactions in the major categories of these restricted accounts:

	Bond Construction Account	Utility Revenue Bond Debt Service Fund	Utility Revenue Bond Debt Service Reserve Fund	Depreciation & Contingency Fund
Beginning balance, July 1, 2012	\$ -	\$ 1,000	\$ 2,832	\$ -
Add:				
Transfers from other funds	350,000	99,000	47,168	125,000
Interest earned	-	14	23	-
Total funds available	350,000	100,014	50,023	125,000
Less:				
Cash disbursement	300,962	-	18,756	-
Service charges	5	-	-	-
Ending balance	\$ 49,033	\$ 100,014	\$ 31,267	\$ 125,000

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D: RESTRICTED ASSETS, continued

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2013:

	2013
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 664,332
Investments	100,000
Utility Revenue Bond:	
Cash and Cash Equivalents	305,314
Total	\$ 1,069,646

NOTE E: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Primary Government			
	Balance			Balance
	6/30/2012	Additions	Deletions	6/30/2013
Land	\$ 2,354,222	\$ -	\$ -	\$ 2,354,222
Road infrastructure	9,122,967	961,720	-	10,084,687
Buildings and improvements	3,778,560	-	-	3,778,560
Machinery and equipment	6,291,897	2,321,478	(261,327)	8,352,048
Construction in progress- Streets	924,847	-	(242,624)	682,223
Construction in progress - Fire Dept	-	-	-	-
Construction in progress - Food Pantry	1,950	-	(1,950)	-
Total Capital Assets	\$ 22,474,443	\$ 3,283,198	\$ (505,901)	\$ 25,251,740

	Primary Government					
	Accumulated			Accumulated		Capital Assets
	Depreciation			Depreciation		Net of
	Balance	Additions	Deletions	Balance		Accumulated
	6/30/2012			6/30/2013	Depreciation	
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,354,222	
Road infrastructure	1,013,561	249,554	-	1,263,115	8,821,573	
Buildings and improvements	1,361,853	113,371	-	1,475,224	2,303,336	
Machinery and equipment	4,283,728	391,004	(251,695)	4,423,037	3,929,011	
Construction in progress- Streets	-	-	-	-	682,223	
Construction in progress - Fire Dept	-	-	-	-	-	
Construction in progress - Food Pantry	-	-	-	-	-	
Total Accumulated Depreciation	\$ 6,659,142	\$ 753,929	\$ (251,695)	\$ 7,161,376	\$ 18,090,365	

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

Depreciation expense for the year ended June 30, 2013 was charged to the following governmental functions:

General government	\$	504,375
Streets		249,554
		\$ 753,929

A summary of changes in capital assets for business-type activities is as follows:

	Business-Type Activities				Balance 6/30/2013
	Balance 6/30/2012	Additions	Deletions	Reclass- ifications	
Land	\$ 29,761	\$ 17,665	\$ -	\$ -	\$ 47,426
Construction in progress	1,281,632	4,214,079	-	(3,313,428)	2,182,283
Buildings and improvements, Gas, water, sewer systems	26,112,276	357,250	-	3,313,428	29,782,954
Machinery and equipment	2,125,489	124,687	(140,938)	-	2,109,238
Total Capital Assets	29,549,158	4,696,016	(140,938)	-	34,121,901

	Business-Type Activities				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation Balance 6/30/2012	Additions	Deletions	Accumulated Depreciation Balance 6/30/2013	
Land	\$ -	\$ -	\$ -	\$ -	\$ 47,426
Construction in progress	-	-	-	-	2,182,283
Buildings and improvements	-	-	-	-	-
Gas, water, sewer systems	13,267,709	950,316	-	14,218,025	15,564,929
Machinery and equipment	1,374,231	152,721	(130,889)	1,396,063	713,175
Total Accumulated Depreciation	\$ 14,641,940	\$ 1,103,037	\$ (130,889)	\$ 15,614,088	\$ 18,507,813

Depreciation expense for the year ended June 30, 2013 for business-type activities totaled \$1,103,038, and total capitalized interest totaled \$18,756.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

	Component Unit			Balance 6/30/2013
	Balance 6/30/2012	Additions	Deletions	
Machinery and equipment	\$ 285,566	\$ 1,729	\$ -	\$ 287,295
Accumulated depreciation	(112,813)	(39,619)	-	(152,432)
Capital assets, net of accumulated depreciation	<u>\$ 172,753</u>	<u>\$ (37,890)</u>	<u>\$ -</u>	<u>\$ 134,863</u>

Depreciation expense for the year for the component unit ended June 30, 2013 totaled \$39,619.

NOTE F: INTERFUND RECEIVABLE AND PAYABLE

Interfund receivable and payable representing short-term borrowing at June 30, 2013 were as follows:

Fund	Interfund Receivables	Interfund Payables
Special revenue fund	\$ -	\$ -
General fund	95,734	-
Proprietary fund	-	95,734
	<u>\$ 95,734</u>	<u>\$ 95,734</u>

NOTE G: COSTS OF ISSUANCE

On February 1, 2012, \$9,300,000 of utilities revenue bonds were issued. The actual issuance cost was \$75,043. This amount will be amortized over the life of the bonds beginning after the 2 year construction period when payments commence.

	2012
Cost of issuance	\$ 75,043
Less: Amortization	-
Cost of issuance at June 30, 2013	<u>\$ 75,043</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	June 30, 2012	Additions	Deletions	June 30, 2013	Current Portion
<u>Governmental Activities:</u>					
Capital lease obligation	\$ 67,168	\$ -	\$ (33,584)	\$ 33,584	\$ 33,584
Capital lease obligation	-	-	-	-	-
Note Payable -litigation	131,000	-	(131,000)	-	-
Claims and judgements-					
Vehicle Sales Tax Collector	211,675	-	(105,838)	105,837	105,837
Compensated absences	771,081	-	(27,256)	743,825	743,825
	<u>\$ 1,180,924</u>	<u>\$ -</u>	<u>\$ (297,678)</u>	<u>\$ 883,246</u>	<u>\$ 883,246</u>
<u>Business-Type Activities:</u>					
Compensated absences	\$ 130,669	\$ -	\$ (3,646.00)	\$ 127,023	\$ 127,023
Bonds payable	998,291	2,962,736	-	3,961,027	-
Loan agreement	1,740,112	-	(89,900)	1,650,212	79,300
	<u>\$ 2,869,072</u>	<u>\$ 2,962,736</u>	<u>\$ (93,546)</u>	<u>\$ 5,738,262</u>	<u>\$ 206,323</u>

Capital Lease Obligation

Capital leases are accounted for in accordance with Section L20 of GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital leases and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Assets.

In November 2011, the City executed a 36 month lease agreement with Ford Motor Credit Company for 4 new cars in the amount of \$100,752. The annual interest rate is 6.00%

The future minimum lease payments under these agreements as of June 30, 2013 are as follows:

2014	<u>\$ 33,584</u>
	<u>\$ 33,584</u>

Component Unit

In October 2011, the City Court executed a 60 month lease agreement with Dan Haggerty & Associates, Inc. for computer software in the amount of \$160,000.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

The future minimum lease payments under these agreements as of June 30, 2013 are as follows:

2014	32,000
2015	32,000
2016	32,000
	\$ 96,000

Loan Agreement

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement are drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2012 was 1.43%.

The future annual debt service requirements as of June 30, 2013, are as follows:

	LCDA Loan
Balance July 1, 2012	\$ 1,740,112
Principal Payments	89,900
Balance, June 30, 2013	\$ 1,650,212
Current portion as of June 30, 2013	\$ 79,300
Long-term liability as of June 30, 2013	1,570,912
Total liability as of June 30, 2013	\$ 1,650,212

Bonds Payable

In 2012, the City of Zachary, Louisiana was issued \$9,300,000 of Utilities Revenue Bonds, Series 2012 from the State Revolving Fund Program through the Louisiana Department of Environmental Quality, a flow through from the United States Environmental Protection Agency. These funds must be used for the purpose of providing for constructing and acquiring improvements and extensions to the Utility system. As of June 30, 2013, \$3,961,027 was drawn on the loan. The bonds bear interest at .45% per annum and administrative fees at .50% with a maturity of 20 years. The bonds are payable in semiannual installments of interest beginning in July, 2012 and annual installments of principal beginning in January 2015. The following is a summary of the loan transactions as of June 30, 2013:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

	Revenue Bonds
Balance July 1, 2012	\$ 998,291
Bond proceeds	2,962,736
Principal Payments	-
Balance, June 30, 2013	\$ 3,961,027
Current portion as of June 30, 2013	\$ -
Long-term liability as of June 30, 2013	3,961,027
Total liability as of June 30, 2013	\$ 3,961,027

The annual requirements to amortize all debt outstanding as of June 30, 2013 including interest payments of \$1,018,496 and administrative fees of \$549,365 are as follows:

Year Ending June 30	Utility Revenue Bonds Series 2012 *	LCDA Loan	Capital Lease Obligation - Governmental	Note Payable - Governmental	Totals
					\$ -
2014	129,579	122,590	33,584	105,837	391,590
2015	551,397	125,129	-	-	676,526
2016	549,076	127,247	-	-	676,323
2017	547,589	129,854	-	-	677,443
2018	513,143	132,233	-	-	645,376
2019-2023	2,563,680	705,218	-	-	3,268,898
2024-2028	2,563,943	680,645	-	-	3,244,588
2029-2033	2,563,924	-	-	-	2,563,924
2034	512,826	-	-	-	512,826
Total	10,495,157	2,022,916	33,584	105,837	12,657,494
Less Current Maturities	-	(79,300)	(33,584)	(105,837)	(218,721)
	\$ 10,495,157	\$ 1,943,616	\$ -	\$ -	\$ 12,438,773

* The annual requirements were taken from a preliminary amortization schedule. The project will be completed within two years from the date of the bond ordinance at which time the loan will be closed and a new amortization schedule will be issued.

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE

All of the income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the City's Utilities Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, at least a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.
- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs of replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).

- 5) Any money remaining in the Revenue Fund after making the above-required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

NOTE J: ACCOUNTS, SALARIES, AND OTHER PAYABLES

A summary of payables at June 30, 2013 is as follows:

<u>Class of Payables</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>
Accounts payable	\$ 807,555	\$ 2,376	\$ 1,387,903
Accrued payroll expense	-	-	-
Accrued expenses	64,090	-	611,799
Total	\$ 871,645	\$ 2,376	\$ 1,999,702

NOTE K: AD VALOREM TAXES

Ad valorem taxes are levied and are actually billed to the taxpayers in December of each year. Billed ad valorem taxes become delinquent on January 2nd of the following calendar year. If ad valorem taxes are unpaid by June 30, the property is offered at a tax sale, and thirty days after the tax sale a lien is placed on the property.

The East Baton Rouge Parish Sheriff's office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2013 calendar year, taxes of 3.17 mils were levied (6.75 mils authorized) on property with assessed valuations totaling \$120,968,100 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2013 totaled \$416,394.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: DEFINED BENEFIT PENSION PLAN

Substantially all employees of the City of Zachary are members of either, the Municipal Employees Retirement System of Louisiana, The Municipal Police Employees Retirement System of Louisiana, or the Firefighters' Retirement System. The systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to each plan follows:

a. Municipal Employees Retirement System of Louisiana (MERS)

Plan description: All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. MERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Funding policy: Plan members are required by state statute to contribute 9.25 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 16.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$441,491, \$449,999, \$327,822, \$314,134, \$307,155, and \$318,445, respectively, equal to the required contributions.

The City pays a portion of the 9.25% employee retirement contribution which would otherwise be deducted from the employees' salary. The City's payment of this employee portion is optional and can be changed.

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. MPERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: DEFINED BENEFIT PENSION PLAN, continued

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 26.50 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$636,059, \$551,521, \$460,895, \$205,252, \$162,068, and \$240,309, respectively, equal to the required contributions.

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System of Louisiana, P.O. Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 23.25%). The contribution requirements of plan member and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2013, 2012, 2011, 2010, 2009, and 2008 totaled \$252,560, \$243,622, \$229,307, \$142,655, \$117,707, and \$125,783, respectively.

NOTE M: OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City of Zachary's medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Life insurance coverage in the flat amount of \$2,500 is provided to retirees (not dependents) and the blended rate (for active and retired combine) is approximately \$0.84 per \$1,000 of insurance. The employer pays 90% of the "cost" of the retiree life insurance, but it is based on the blended rate. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

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

Fund Policy. Until 2008, the City of Zachary recognized the cost of providing post-employment medical and life benefits (City of Zachary's portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2013, the City of Zachary's portion of health care funding cost for retired employees totaled \$284,952, and the life insurance totaled \$4,263.

Effective with July 1, 2008, the City of Zachary implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation shown in the following table.

Annual Required Contribution. City of Zachary's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Medical	Life
Normal Cost	\$ 456,051	\$ 1,728
30-year UAL amortization amount	730,684	6,598
Annual required contribution (ARC)	\$ 1,186,735	\$ 8,326

Net Post-employment Benefit Obligation (Asset). The table below shows City of Zachary's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2013:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

	2013
Beginning Net OPEB Obligation (Asset) 7/1/2012	3,837,115
Annual required contribution	1,195,061
Interest on Net OPEB Obligation (Asset)	153,485
ARC Adjustment	(221,901)
OPEB Cost	1,126,645
Contribution	-
Current year retiree premium	(289,215)
Change in Net OPEB Obligation	837,430
Ending Net OPEB Obligation (Asset) 6/30/2013	\$ 4,674,545

The following table shows the City of Zachary's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for the last year and this year:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical/Life	June 30, 2013	\$1,126,645	25.67%	\$4,674,545

Funding Status and Funding Progress. In 2013, the City of Zachary made no contributions to its post employment benefits plan. The plan was not funded, has no assets, and hence has a funded ratio of zero. As of July 1, 2010, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2013 was \$14,874,872, which is defined as that portion, as determined by a particular actuarial cost method (the City of Zachary uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

	2013
Actuarial Accrued Liability	\$ 13,259,038
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	13,259,038
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	6,390,968
UAAL as a percentage of covered payroll	207.47%

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

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

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

Actuarial Value of Plan Assets. There are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement, will be used.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover rate of approximately 10%.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continue through Medicare to death.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections performed by the office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the published which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a percentage of the cost of the medical insurance for the retiree and dependents. The percentage is 90% of the total premium for employee only coverage and 75% of the total premium for family coverage. The rates to which these percentages apply are blended rates between active and retired. We have therefore estimated the "unblended" rates to be 130% of the blended rates for pre-Medicare eligibility and 80% of the blended rates for post-Medicare eligibility coverage. The Dental plan was included in the medical portion of this valuation but zero trend was used for the dental of the premium.

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

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

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Below is a summary of OPEB cost and contributions for the year last three fiscal calendar years.

	OPEB Costs and Contributions		
	FY 2011	FY 2012	FY 2013
OPEB Cost	\$ 1,314,274	\$ 1,349,901	\$ 1,126,645
Contribution	-	-	-
Retiree premium	292,807	316,232	289,215
Total contribution and premium	292,807	316,232	289,215
Change in net OPEB obligation	\$ 1,021,467	\$ 1,033,669	\$ 837,430
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	22.28%	23.43%	25.67%

NOTE N: OPERATING TRANSFERS

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2013 as follows:

	Operating Transfers	
	In	Out
General Fund:		
Component Unit - City Court	\$ 110,000	\$ -
Component Unit - City Court:		
General Fund	-	110,000
Totals	\$ 110,000	\$ 110,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. These transfers were eliminated in preparation of the Government-Wide Financial Statements.

NOTE O: RELATED PARTY TRANSACTIONS

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2013, the City paid \$357,081 on behalf of City Court.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE O: RELATED PARTY TRANSACTIONS, continued

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2013, City Court paid \$110,000 to the City of Zachary.

NOTE P: COMPONENT UNIT – DISTRICT INDIGENT DEFENDER FUND – GOVERNMENTAL FUND REVENUES

For the year ended June 30, 2013, the major sources of governmental fund revenues were as follows:

Local Government:	
Statutory fines, forfeitures, fees, court costs, and other	<u>\$ 72,437</u>

NOTE Q: CLAIMS AND JUDGEMENTS

Various claims and lawsuits are pending against the City. Although the ultimate outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial position of the City.

The City of Zachary recently underwent an audit of vehicle sales taxes collected and remitted to the various governing and taxing authorities within East Baton Rouge Parish by the State Department of Public Safety from 1996 to 2005. The audit revealed that \$635,026 was incorrectly remitted to the city, as determined by an independent identification of the jurisdictional assignment of the vehicle purchasers' residences. The City has accepted the findings of the audit and has agreed, in principal, to pay \$635,026 to the municipalities that were the rightful recipients of the taxes. The payment is to be made in semi-annual installments of \$52,919 over a period of six years. The balance due at June 30, 2013 is \$105,838. The future annual payments as of June 30, 2013 are as follows:

2014	105,838
Total	\$ 105,838

NOTE R: LITIGATION

There are ten pending lawsuits in which the City of Zachary is currently involved. The City Attorney states that there is no significant liability on behalf of the City. The estimated exposure ranges from \$5,000 to \$50,000 per suit. The Chaisson suit was settled in November 2011 with an estimated exposure to the City in the amount of \$262,000. This amount is to be paid over two years. An adjustment was made to the 2012 financial statements recording the balance of the note payable for \$131,000 (\$131,000 current). The amount was paid in full during the current fiscal year. The balance at June 30, 2013 is \$0.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE S: NEW ACCOUNTING PRONOUNCEMENTS

GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The City has determined that they have no deferred outflows or inflows as defined by this standard.

Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the City.

GASB 65, Items Previously Reported as Assets and Liabilities, will be effective for the City beginning with its year ending June 30, 2014. This statement required certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

NOTE T: SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 25, 2013, the date the financial statements were available to be issued.

The following events were noted:

1. In July 2013, the Council made a preliminary approval of the issuance of \$10 million Public Street Bonds.
2. In August 2013, the Council adopted a resolution to issue Utilities Revenue Bonds in an amount not to exceed \$5 million for the purpose of constructing and acquiring improvements and extensions to the sewer system of the City.

No adjustments were made to the June 30, 2013 financial statements for the above events.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 7,122,500	\$ 7,633,500	\$ 7,873,554	\$ 240,054
License and permits	508,000	582,000	586,961	4,961
Intergovernmental	864,500	721,500	1,471,998	750,498
Charges for services	1,378,000	1,253,000	1,237,572	(15,428)
Commissions	1,335,000	1,230,000	1,246,145	16,145
Fines and forfeits	225,000	225,000	218,451	(6,549)
Proceeds from loan	-	-	-	-
Miscellaneous	244,500	378,500	814,752	436,252
TOTAL REVENUES	<u>11,677,500</u>	<u>12,023,500</u>	<u>13,449,433</u>	<u>1,425,933</u>
EXPENDITURES				
General Government	2,928,200	4,534,700	4,295,471	239,229
Court	387,000	412,500	358,174	54,326
Public Safety -				
Police	4,149,500	4,576,500	4,271,107	305,393
Fire	2,424,000	3,089,000	3,552,093	(463,093)
Streets	661,000	731,000	710,905	20,095
Sanitation	1,047,500	1,047,500	988,544	58,956
TOTAL EXPENDITURES	<u>11,597,200</u>	<u>14,391,200</u>	<u>14,176,294</u>	<u>214,906</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	80,300	(2,367,700)	(726,861)	1,640,839
OTHER FINANCING SOURCES (USES)				
Transfer from city court	52,500	112,500	110,000	(2,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>52,500</u>	<u>112,500</u>	<u>110,000</u>	<u>(2,500)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	132,800	(2,255,200)	(616,861)	1,638,339
FUND BALANCES - BEGINNING	<u>7,347,535</u>	<u>7,347,535</u>	<u>7,347,535</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 7,480,335</u></u>	<u><u>\$ 5,092,335</u></u>	<u><u>\$ 6,730,674</u></u>	<u><u>\$ 1,638,339</u></u>

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes - sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,416,100	\$ 216,100
Intergovernmental income	1,060,000	1,060,000	-	(1,060,000)
Other - interest	10,000	10,000	7,790	(2,210)
TOTAL REVENUES	<u>2,270,000</u>	<u>2,270,000</u>	<u>1,423,890</u>	<u>(846,110)</u>
EXPENDITURES				
Streets	3,691,000	3,691,000	732,624	2,958,376
TOTAL EXPENDITURES	<u>3,691,000</u>	<u>3,691,000</u>	<u>732,624</u>	<u>2,958,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,421,000)	(1,421,000)	691,266	2,112,266
FUND BALANCES - BEGINNING	<u>3,336,228</u>	<u>3,336,228</u>	<u>3,336,228</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,915,228</u>	<u>\$ 1,915,228</u>	<u>\$ 4,027,494</u>	<u>\$ 2,112,266</u>

SUPPLEMENTARY INFORMATION

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:			
Ad valorem - industry	\$ 80,000	\$ 79,431	\$ (569)
Ad valorem - other	335,000	336,963	1,963
Beer tax	18,500	18,774	274
Sales tax	<u>7,200,000</u>	<u>7,438,386</u>	<u>238,386</u>
Total taxes	<u>7,633,500</u>	<u>7,873,554</u>	<u>240,054</u>
Licenses and permits:			
Occupational licenses	301,500	300,919	(581)
Building permits	143,000	150,110	7,110
Electrical contractor license	10,000	9,225	(775)
Electrical permits	35,500	35,441	(59)
Other contractor license	12,000	11,526	(474)
Other permits	<u>80,000</u>	<u>79,740</u>	<u>(260)</u>
Total licenses and permits	<u>582,000</u>	<u>586,961</u>	<u>4,961</u>
Intergovernmental:			
911 operations	245,000	247,487	2,487
City - parish street maintenance	61,000	61,845	845
Grant - police department	65,000	230,148	165,148
Grant - other	25,000	497,032	472,032
Transportation fund	25,500	25,510	10
Fire District #1	210,000	319,751	109,751
FEMA - Gustav	<u>90,000</u>	<u>90,225</u>	<u>225</u>
Total intergovernmental	<u>721,500</u>	<u>1,471,998</u>	<u>750,498</u>
Charges for services:			
Park revenue	130,000	125,842	(4,158)
Inspection fees	6,000	6,352	352
Historical Village revenue	5,000	-	(5,000)
Public works fees	50,000	48,845	(1,155)
Refuse collection charges	1,050,000	1,043,467	(6,533)
Refuse billing fees	<u>12,000</u>	<u>13,066</u>	<u>1,066</u>
Total charges for services	<u>1,253,000</u>	<u>1,237,572</u>	<u>(15,428)</u>
Commissions:			
Cable franchise fee	255,000	254,409	(591)
Sale of electricity	700,000	700,016	16
Sale of insurance	<u>275,000</u>	<u>291,720</u>	<u>16,720</u>
Total commissions	<u>1,230,000</u>	<u>1,246,145</u>	<u>16,145</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Fines and forfeits	225,000	218,451	(6,549)
Miscellaneous:			
Interest income	2,500	670	(1,830)
City court	112,500	110,000	(2,500)
Marshal's fund	47,500	194,079	146,579
Sale of equipment	14,500	31,200	16,700
Food pantry	-	26,269	26,269
Rental income	-	500	500
Photo speed enforcement	40,000	135,341	95,341
Fire	105,000	116,209	11,209
Police	40,000	59,363	19,363
Proceeds	-	-	-
All other	129,000	251,121	122,121
Total miscellaneous	491,000	924,752	433,752

GENERAL GOVERNMENT:

Finance:

Salaries - administrative	435,500	410,696	24,804
Sales tax collection fee	70,000	60,498	9,502
Parish tax repayment	106,000	105,838	162
Office expense	30,000	28,697	1,303
Electricity	20,000	10,830	9,170
Supplies and maintenance	17,000	16,239	761
Insurance	341,000	317,691	23,309
Payroll taxes:			-
- Medicare	6,500	5,004	1,496
- F.I.C.A. and unemployment tax	5,500	4,211	1,289
Worker's compensation insurance	1,000	518	482
Capital outlays	350,000	334,534	15,466
Hurricane clean up	65,500	64,294	1,206
Telephone	10,000	9,464	536
Uniforms	2,000	-	2,000
Contract services	17,000	15,260	1,740
Computer expense	75,000	69,549	5,451
Phone allowance	3,000	2,940	60
Assessment roll fee	7,500	7,239	261
Code book expense	1,000	-	1,000
Official journal	10,000	5,083	4,917
Dues, donations, and subscriptions	15,000	13,510	1,490
Miscellaneous	30,500	10,830	19,670
Election expense	3,000	-	3,000
Travel	5,000	2234	2,766

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Schools and seminars	4,500	4,364	136
Retirement	67,500	65,215	2,285
Drug testing	1,000	775	225
Attorney fees	15,000	5,199	9,801
Audit	22,500	21,119	1,381
Legal fees	96,500	96,162	338
Insurance consultant	6,000	5,800	200
Bank fees	4,000	1,233	2,767
Coke machine	750	187	563
Health insurance	52,500	52,151	349
Attorney's health insurance	3,500	-	3,500
Total	<u>1,900,750</u>	<u>1,747,364</u>	<u>153,386</u>
Beautification:			
Salary	72,000	52,896	19,104
FICA and medicare	1,000	719	281
Health insurance	17,500	14,685	2,815
Worker's compensation insurance	1,500	876	624
Miscellaneous	1,500	19	1,481
Vehicle expense	4,000	2,110	1,890
Beautification retirement	12,500	10,978	1,522
Beautification supplies	20,000	9,432	10,568
Total	<u>130,000</u>	<u>91,715</u>	<u>38,285</u>
Public Relations:			
Animal control fees	125,000	124,770	230
Mayor's prayer breakfast	5,500	5,442	58
Community center	21,500	21,090	410
Economic development	213,000	172,873	40,127
Christmas expense	16,500	16,013	487
Senior citizen center	20,000	19,279	721
Public Relations expense	22,000	21,802	198
Food pantry	31,000	30,978	22
Total	<u>454,500</u>	<u>412,247</u>	<u>42,253</u>
Mayor:			
Mayor's salary	95,000	91,564	3,436
Employee salary	59,000	48,355	10,645
FICA and medicare	2,500	1,988	512
Telephone	4,000	2,989	1,011
Phone allowance	-	-	-
Vehicle expenses	5,000	3,054	1,946
Vehicle maintenance	1,000	689	311

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Miscellaneous	5,000	4,137	863
Retirement	32,000	29,192	2,808
LMA convention	12,000	11,543	457
Travel	6,500	5,223	1,277
Health insurance	25,000	22,374	2,626
Worker's compensation insurance	500	191	309
Total	<u>247,500</u>	<u>221,299</u>	<u>26,201</u>
Commissions and Boards:			
Salaries	23,500	17,086	6,414
FICA and medicare	3,250	387	2,863
Worker's compensation insurance	200	82	118
Retirement	2,000	1,745	255
Health insurance	2,000	1,824	176
Legal	3,500	3,243	257
Supplies	2,500	1,698	802
Miscellaneous	5,000	3,918	1,082
Total	<u>41,950</u>	<u>29,983</u>	<u>11,967</u>
Council:			
Salary	20,000	19,096	904
Miscellaneous	2,000	100	1,900
Council's salary	53,000	50,791	2,209
FICA and medicare	5,000	4,569	431
Travel	500	-	500
LMA convention	-	-	-
Retirement	2,500	2,133	367
Health insurance	26,500	22,633	3,867
Worker's compensation insurance	500	100	400
Total	<u>110,000</u>	<u>99,422</u>	<u>10,578</u>
Recreation:			
General recreation expenses	184,000	174,084	9,916
Office supplies	2,500	2,035	465
Salaries	173,500	171,249	2,251
FICA and medicare	4,000	3,817	183
Health insurance	40,000	39,982	18
Worker's compensation insurance	1,000	904	96
Computer expense	500	28	472
Travel	2,000	1,105	895
Vehicle repairs and maintenance	17,000	9,293	7,707
Equipment maintenance	61,500	6,268	55,232

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Retirement	33,000	32,814	186
Telephone	7,000	6,825	175
Utilities	28,000	27,631	369
Professional services Legal	4,000	3,792	208
Capital outlays	618,500	604,369	14,131
Ground maintenance and building maintenance	-	65,509	(65,509)
Contract services	23,500	23,466	34
Supplies	-	18,277	(18,277)
Drug testing	500	410	90
Miscellaneous	9,000	8,792	208
Total	1,209,500	1,200,650	8,850
Inspection:			
Office	2,500	926	1,574
Salary	188,500	287,967	(99,467)
FICA and medicare	3,000	2,136	864
Retirement	40,000	29,556	10,444
Health insurance	50,000	45,080	4,920
Worker's compensation insurance	1,000	607	393
Vehicle fuel	3,000	2,379	621
Vehicle maintenance	500	-	500
Uniforms	500	212	288
Contracts/services	1,500	-	1,500
Telephone	4,500	3,515	985
Seminar	4,500	336	4,164
Dues and subscriptions	500	-	500
Miscellaneous	500	98	402
Capital outlay	-	-	-
Total	300,500	372,812	(72,312)
Historical village:			
Salary	51,500	51,077	423
FICA and medicare	4,500	3,907	593
Worker's compensation insurance	2,000	1,153	847
Exhibits	3,000	1,888	1,112
Annison house	1,500	1,430	70
Utilities	14,000	13,403	597
Miscellaneous	3,500	2,296	1,204
Repairs and maintenance	40,500	40,400	100
Schools and seminars	500	-	500
Capital outlay	11,000	-	11,000
Computer	500	-	500
Telephone	2,500	1,445	1,055

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Office	5,000	2,981	2,019
Total	<u>140,000</u>	<u>119,980</u>	<u>20,020</u>
 Total General Government	 <u>4,534,700</u>	 <u>4,295,472</u>	 <u>239,228</u>
 COURT:			
Clerk of Court:			
Court salaries	165,000	139,821	25,179
FICA and medicare	4,500	2,931	1,569
Worker's compensation insurance	500	35	465
Court retirement	25,500	25,233	267
Health insurance	32,000	28,775	3,225
Miscellaneous	12,500	12,179	321
Court expense	3,500	594	2,906
Total	<u>243,500</u>	<u>209,568</u>	<u>33,932</u>
 Judge:			
Judge's salary	10,000	8,882	1,118
Medicare	250	86	164
Worker's compensation insurance	250	4	246
Retirement	3,500	3,091	409
Health Insurance	23,500	23,334	166
Total	<u>37,500</u>	<u>35,397</u>	<u>2,103</u>
 Probation:			
Salary	15,500	11,129	4,371
FICA and medicare	750	119	631
Worker's compensation insurance	500	56	444
Health insurance	10,000	9,739	261
Total	<u>26,750</u>	<u>21,043</u>	<u>5,707</u>
 Prosecutor:			
Prosecutor salary	37,500	33,759	3,741
FICA and medicare	3,000	2,195	805
Worker's compensation insurance	3,500	9	3,491
Health insurance	30,000	29,398	602
Miscellaneous	8,500	7,940	560
Total	<u>82,500</u>	<u>73,301</u>	<u>9,199</u>
 Marshall:			
Salary	17,500	17,475	25

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
FICA and medicare	2,000	1,337	663
Worker's compensation insurance	250	53	197
Health insurance	2,500	-	2,500
Total	<u>22,250</u>	<u>18,865</u>	<u>3,385</u>
Total Court	<u>412,500</u>	<u>358,174</u>	<u>54,326</u>
PUBLIC SAFETY - POLICE:			
Salaries - police officers	2,481,000	2,260,383	220,617
Office expense	19,000	18,836	164
Chiefs expense	3,000	2,454	546
Electricity	32,000	26,891	5,109
Vehicle expense	170,000	163,579	6,421
Supplies and maintenance	95,500	95,176	324
Uniforms	20,000	15,804	4,196
Telephone	47,500	29,143	18,357
Clothing allowance	5,500	5,300	200
Phone allowance	11,000	10,800	200
Reserve deputies	7,500	5,616	1,884
Miscellaneous	18,500	18,245	255
New hire test	7,000	6,538	462
Fica and Medicare	42,000	40,298	1,702
Retirement	636,500	636,059	441
Health insurance	355,500	355,150	350
Worker's compensation insurance	5,000	4,957	43
Contracts and services	23,500	23,412	88
Dues and subscriptions	2,000	1,940	60
D.A.R.E.	13,500	13,250	250
Drug testing	3,000	2,585	415
Computer expense	64,500	64,170	330
Travel and seminar	40,000	36,266	3,734
Professsional services legal	207,500	207,155	345
Capital outlays	266,000	227,100	38,900
Total public safety - police	<u>4,576,500</u>	<u>4,271,107</u>	<u>305,393</u>
PUBLIC SAFETY - FIRE:			
Salaries	1,524,500	1,482,787	41,713
Building repairs	19,500	19,455	45
Office expense	12,500	12,384	116
Electricity	32,500	31,211	1,289

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Vehicle expense	73,500	71,163	2,337
Supplies and maintenance	25,000	24,717	283
Dues and subscriptions	1,500	1,226	274
Uniforms	15,500	15,081	419
Protective gear	20,500	20,110	390
Telephone	10,000	6,682	3,318
Phone allowance	3,500	2,400	1,100
Miscellaneous	20,000	16,440	3,560
Retirement	265,000	252,560	12,440
Health insurance	215,000	199,178	15,822
Volunteer fireman	15,500	12,362	3,138
Computer expense	40,500	40,361	139
Contracts and services	15,000	10,079	4,921
Professional services legal	13,000	7,782	5,218
Training	34,000	31,666	2,334
Physicals	18,000	14,234	3,766
Drug testing	2,000	1,757	243
Communication contract	30,000	30,000	-
Fica and medicare	50,000	42,882	7,118
Worker's compensation insurance	7,500	7,338	162
Fire prevention	10,000	9,179	821
Capital outlay	615,000	1,189,059	(574,059)
Total public safety - fire	3,089,000	3,552,093	(463,093)
STREETS:			
Salaries	239,500	234,975	4,525
Office expense	4,000	3,517	483
Electricity	150,000	147,295	2,705
Vehicle expense	75,500	63,160	12,340
Supplies and maintenance	58,000	67,294	(9,294)
D.C.I. Expense	62,000	61,851	149
Grass cutting contract	19,000	17,750	1,250
Telephone	9,000	8,957	43
Fica and medicare	5,500	5,096	404
Miscellaneous	12,000	11,628	372
Uniforms	6,500	6,309	191
Retirement	38,000	37,022	978
Health insurance	40,000	35,966	4,034
Worker's compensation insurance	2,000	1,595	405
Contracts and services	8,500	8,154	346
Travel, schools and seminars	1,000	-	1,000
Drug testing	500	336	164
Total streets	731,000	710,905	20,095

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Sanitation:			
Landfill charges	7,500	-	7,500
Contracts and services	1,040,000	988,544	51,456
Total sanitation	<u>\$ 1,047,500</u>	<u>\$ 988,544</u>	<u>\$ 58,956</u>
Total General Fund	<u>\$ 14,391,200</u>	<u>\$ 14,176,295</u>	<u>\$ 171,463</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 2

	Actual
Water department:	
Salaries	\$ 380,754
FICA and medicare	4,471
Worker's compensation insurance	1,708
Electricity	82,411
Equipment maintenance	10,833
Vehicle maintenance	5,964
Vehicle fuel	23,126
Supplies	133,983
Telephone	7,995
Miscellaneous	11,174
Retirement	72,464
Uniforms	4,717
Health insurance	86,820
Schools and seminars	2,008
Water tower maintenance	28,338
Contracts/services	178,705
Total water department	1,035,471
 Gas department:	
Salaries	\$ 333,164
FICA and medicare	4,818
Worker's compensation insurance	1,529
Electricity	4,741
Vehicle fuel	23,126
Vehicle equipment maintenance	4,851
Equipment maintenance	13,070
Supplies	93,151
Purchase of gas	863,352
Telephone	8,574
Miscellaneous	3,344
Retirement	63,187
Uniforms	4,392
Health insurance	76,000
Schools and seminars	6,550
Contracts/services	85,114
Total gas department	1,588,963
 Sewer department:	
Salaries	328,694
FICA and medicare	3,919
Worker's compensation insurance	1,533
Electricity	27,575
Equipment maintenance	9,639

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 2

	Actual
Vehicle maintenance	5,741
Vehicle fuel	23,127
Supplies	69,100
Phone allowance	480
Telephone	8,605
Uniforms	4,020
Miscellaneous	12,156
Retirement	63,746
Health insurance	76,048
Contracts/services	207,839
Schools and seminars	763
Sewer rehab	4,334
Total sewer department	847,319
Mechanic:	
Salaries	9,516
FICA and medicare	123
Worker's compensation insurance	26
Electricity	1,409
Telephone	216
Miscellaneous	959
Retirement	1,924
Health insurance	1,824
Total sewer department	15,997
Warehouse	
Salaries	22,198
FICA and medicare	320
Worker's compensation insurance	156
Electricity	6,719
Building maintenance	3,418
Vehicle maintenance	81
Vehicle fuel	406
Supplies	738
Telephone	873
Miscellaneous	1,519
Retirement	4,651
Health insurance	1,171
Schools and seminars	495
Total sewer department	42,745
General and administrative:	
Salaries	48,063
FICA and medicare	544

**CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 2

	Actual
Worker's compensation insurance	151
Insurance	98,405
Retirement	9,520
Health insurance	5,856
Printing	57,585
Supplies	927
Bank fees	3,774
Computer expense	60,314
DOTD - URAF	42,744
Professional services	33,924
Telephone	347
Building maintenance	29,378
Miscellaneous	8,466
Inspection fees	84,060
Collection expense	300
Drug testing	3,797
Total general and administrative	488,155
 Depreciation	 1,103,038

**COMPONENT UNIT –
CITY COURT**

CITY OF ZACHARY, LOUISIANA **SCHEDULE 3**
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION - COMPONENT UNIT
CITY COURT
JUNE 30, 2013

	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents	\$ 118,190	\$ -	\$ 118,190
Capital assets, net of accumulated depreciation of \$134,863	-	134,863	134,863
Total Assets	\$ 118,190	\$ 134,863	\$ 253,053
<u>LIABILITIES</u>			
	\$ -	\$ 96,000	\$ 96,000
<u>FUND BALANCES/NET ASSETS</u>			
Unassigned	118,190	118,190	-
Total Liabilities and Fund Balance	\$ 118,190	214,190	96,000
<u>NET POSITION</u>			
Net invested in capital assets	-	-	38,863
Unrestricted	-	-	118,190
Total Net Position	\$ -	\$ -	\$ 157,053

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES - COMPONENT UNIT
CITY COURT
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 4

	General Fund	Adjustments	Statement of Activities
<u>EXPENDITURES/EXPENSES</u>			
Judiciary:			
Personal services and benefits	\$ 106,934		\$ 106,934
Travel and professional development	4,300		4,300
Operating services	164,693	(270)	164,423
Supplies	66,438	(33,728)	32,710
Intergovernmental (to City of Zachary)	268,578	-	268,578
Depreciation	-	39,619	39,619
Total Expenditures/Expenses	610,943	5,621	616,564
<u>PROGRAMS REVENUES AND COLLECTIONS</u>			
Civil Fees	145,081	-	145,081
Criminal Fees	593,588	-	593,588
Garnishments Collected	112,979	-	112,979
Garnishments Remitted	(113,732)	-	(113,732)
Total Program Revenues	737,916	-	737,916
Net Program Costs	126,973	(5,621)	121,352
<u>GENERAL REVENUES</u>			
Investment earnings	-	-	-
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>			
	126,973	(5,621)	121,352
Transfers to General Fund	(110,000)	-	(110,000)
<u>FUND BALANCE/NET POSITION:</u>			
Beginning of the Year	101,217	44,484	145,701
End of the Year	\$ 118,190	\$ 38,863	\$ 157,053

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION OF CITY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 5

	Gross Compensation during the year ended 6/30/13
David Amrhein, Mayor	\$ 91,564
<u>Council Members (Term):</u>	
John Coghlan	10,158
Brandon Noel	10,158
Francis Nezianya	10,158
Tommy Womack	10,158
Daniel D. Wallis, Jr.	<u>10,158</u>
	<u>\$ 142,354</u>

SCHEDULE 6

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Program</u>	<u>CFDA#</u>	<u>Grant Period</u>	<u>Total Expenditures</u>
United States Environmental Protection Agency Pass through LA DEQ, Capitalization Grants for Clean Water State Revolving Fund Loan # 221450-01	66.458	2/1/12-2/1/14 *	<u>2,962,736</u>
Total Environmental Protection Agency			<u>2,962,736</u>
United States Department of Housing and Urban Development Passed through Louisiana Recovery Unit for Community Development Block Grant	14.228	8/7/12-8/7/15 *	<u>567,755</u>
Total U.S. Department of Housing and Urban Development			<u>567,755</u>
Federal Emergency Management Agency Disaster Assistance	97.109	7/1/12-6/30/13	<u>90,225</u>
Total Federal Emergency Management Agency			<u>90,225</u>
Total Expenditures of Federal Awards			<u>\$ 3,620,716</u>

* Major Program

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Zachary, Louisiana and is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2013**

SCHEDULE 7

<u>Name of Insurer</u>	<u>Expiration Date</u>	<u>Type of Coverage</u>	<u>Coverage Limits</u>
Princeton Excess	11/1/2013	General liability building	\$ 3,000,000
Princeton Excess	11/1/2013	Employee practices liability	\$ 3,000,000
Princeton Excess	11/1/2013	Auto liability	\$ 3,000,000
Princeton Excess	11/1/2013	Law Enforcement liability	\$ 3,000,000
Princeton Excess	11/1/2013	Public official	\$ 3,000,000
Southern Insurance (Republic Group)	11/1/2013	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2013	Workers compensation	Statutory limits
Southern Insurance (Republic Group)	11/1/2013	Auto physical damage & scheduled autos	ACV

PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF UTILITY STATISTICS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

SCHEDULE 8

	<u>2013</u>		<u>2012</u>
Gas customer data are as follows:			
Gas sales	\$ 2,302,203	\$	2,030,822
Gas purchased	\$ 863,352	\$	780,823
MCF gas sold	218,919		177,206
Number of customers at year end	4,206		4,119
MCF gas purchased	224,427		211,495
MCF gas unaccounted for	5,508		34,289
Average monthly billing per customer	\$ 45.61	\$	41.09
 Water customer data are as follows:			
Water sales	\$ 2,286,022	\$	2,050,070
Thousands of gallons of water sold	778,006		754,600
Number of customers at year end	7,315		7,241
Average monthly billing per customer	\$ 26.04	\$	23.60
 Sewer customer data are as follows:			
Sewer sales	\$ 808,740	\$	614,161
Number of customers at year end	4,858		4,582
Average monthly billing per customer	\$ 13.87	\$	11.17

OTHER REPORTS

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

SCHEDULE 9

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Zachary, Louisiana's basic financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

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

**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 (continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2013-1, 2013-3, and 2013-4).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's and the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-2.

City of Zachary, Louisiana's Response to Findings

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

Purpose of this Report

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

Baxley & Associates, LLC

Zachary, Louisiana
November 25, 2013

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA

Staci H. Joffrion, CPA/CGMA

SCHEDULE 10

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited City of Zachary, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Zachary, Louisiana's major federal programs for the year ended June 30, 2013. City of Zachary, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Zachary, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Zachary, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Zachary, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Report on Internal Control Over Compliance

Management of City of Zachary, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Zachary, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Zachary, Louisiana's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baxley & Associates, LLC

Plaquemine, Louisiana
November 25, 2013

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are not required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s):</i>	<i>Name of Federal Program or Cluster:</i>
66.458	U.S. Environmental Protection Agency
14.228	U.S. Department of Housing and Urban Development

Dollar threshold used to distinguish between type A and type B programs: \$300,000
Auditee qualified as low-risk auditee? _____ yes X no

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2013-1 UNRECORDED TRANSACTIONS

Condition

In performing audit procedures on the General Fund, it was noted that a Cash Account – Marshall's Fund and related transactions were not recorded in the general ledger. This bank account was transferred to the General Fund from City Court effective 1-1-13.

Criteria

The bank account and the related receipts and disbursements should be recorded in the General Fund general ledger.

Effect

The Statement of Net Position and the Statement of Activities were both understated. The assets were understated by \$8,576 and revenues and expenditures were understated by \$136,725 and \$128,150, respectively.

Recommendation

Management should review monthly and year-end financial statements for accuracy and completeness.

Management's Response

In January 2013, City Court transferred the collection of garnishments from the Court to the Police Department. An account was set up by the Police within the department to handle the proceeds instead of setting up the account through the General Fund. Since the discovery of the oversight, the account has been corrected and is now being handled in the proper manner through the General Fund.

2013-2 BUDGET

Condition

In a Special Revenue Fund, budgeted revenues exceeded the actual revenues by more than 38%.

Criteria

The actual expenditures in any of the funds should not exceed the estimated budgeted expenditures by more than 5 percent nor should the budgeted revenue exceed the actual revenues by more than 5 percent.

Effect

The program did not function as originally intended.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Recommendation

Continuous efforts should be made by management to monitor revenue and expenditures in relation to the budget. Amendments should be made as they become necessary.

Management's Response

Income was budgeted for a road project in cooperation with City Parish for the audited budget year, but factors beyond anyone's control have not allowed that project to begin and the associated income from City Parish was not transferred to the City.

2013-3 PROPER REVENUE CLASSIFICATION

Condition

During the performance of revenue testing, it was found that the amount of actual permits paid to the City of Zachary was less than the amount recorded in the general ledger.

Criteria

Revenue should be properly classified in the correct account.

Effect

Revenues were not classified in the proper accounts.

Recommendation

Monthly and annual financial statements should be reviewed by management for proper classification. Reclassification adjustments should be made as deemed necessary.

Management's Response

The City converted from a hand written method of tracking permits to a computer generated method of permitting in the audited year. In the process of training and learning the new system, hand written permits and computer permits were not tracked as well as they should have been, creating the discrepancy noted in the finding. In the current budget year, all permits are computer generated with a better method of tracking accounting for permits.

2013-4 BUSINESS PURPOSE OF EXPENSES

Condition

During expense testing, it was found that the business purpose of meals/travel was not clearly stated on the supporting documentation.

Criteria

The business purpose should be stated on all supporting documentation for meals/travel.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Effect

Expenses were not properly supported.

Recommendation

The business purpose should be stated, along with the names of those employees participating, on the supporting documentation. The expenses should not be approved for payment unless the business purpose is clearly stated.

Management's Response

Management will insure that all receipts are given to accounting with the stated purpose of the meeting, the attendees and their organizations before they will be approved for payment.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

2012-1 CITY COURT

Condition

In converting City Court from cash basis to accrual basis, the client failed to record software at total cost and the offsetting liability.

Recommendation

Management should review year end financials and worksheets such as depreciation schedule for accuracy.

Current Status

This finding has been corrected in the current year.

2012-2 CONVERSION

Condition

The utility department implemented the City's new accounting system in November, 2010. The customer support group for the new accounting system assisted the City with the transfer of customer information into the new system. However, sample testing showed that the setup date for customers who had existing service prior to conversion were incorrect. Also, the customer deposit dates for customers who made deposits prior to conversion were incorrect. Internal controls should have been in place to ensure that the information was transferred correctly. This is a repeat finding.

Recommendation

The City should contact the technical support group to determine if the dates can be corrected.

Current Status:

The above condition still exists at June 30, 2013. This problem is not cost beneficial for the City to correct. This will be the final finding on this matter.

2012-3 DUAL SIGNATURES

Condition

The City's policy is to have dual signatures on all disbursements. We noted 7 checks written in December 2011 that were signed by management, but were not signed by a board member.

Recommendation

The City should ensure that the Board reviews and signs all disbursement checks.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Current Status

This finding was corrected in the current year.

2012-4 LOAN BALANCE

Condition

The City's balance on a utility fund note payable at June 30, 2012 was \$14,800 higher than the balance per the bank.

Recommendation

The City should reconcile payable balances to the bank and correct any variances in a timely manner.

Current Status

This finding was corrected in the current year.

2012-5 BOND REQUIREMENTS – FLOW OF FUNDS

Condition

Depreciation & Contingency Fund

The Depreciation and contingency fund bank account was not named correctly and was accounted for in the General Fund instead of the Utility Fund.

Debt Service Fund Account

The monthly transfers were not made into the Debt Service Fund account in accordance with the bond ordinance.

Construction Account

The Construction Account had not been established to record all disbursements and receipts from the bond. The proceeds and disbursements on the federal loan were accounted for in the utility operating bank account.

Recommendation

The District should set up service reserve accounts as stipulated in the bond resolution. The District should make monthly transfers in accordance with bond requirements.

Current Status

This finding was corrected in the current year.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

2012-6 BONDS PAYABLE

Condition

The bond proceeds were recorded in revenue as opposed to bonds payable.

Recommendation

The City should record all proceeds on the loan to bonds payable.

Management's Response

This finding was corrected in the current year.

2012-7 BOND REQUIREMENTS – FLOW OF FUNDS

Condition

Depreciation & Contingency Fund

The Depreciation and contingency fund bank account was not named correctly and was accounted for in the General Fund instead of the Utility Fund.

Debt Service Fund Account

The monthly transfers were not made into the Debt Service Fund account in accordance with the bond ordinance.

Construction Account

The Construction Account had not been established to record all disbursements and receipts from the bond. The proceeds and disbursements on the federal loan were accounted for in the utility operating bank account.

Recommendation

The District should set up service reserve accounts as stipulated in the bond resolution. The District should make monthly transfers in accordance with bond requirements.

Current Status

This finding was corrected in the current year.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

2012-8 BONDS PAYABLE

Condition

The bond proceeds were recorded in revenue as opposed to bonds payable.

Recommendation

The City should record all proceeds on the loan to bonds payable.

Current Status

This finding was corrected in the current year.