

**CITY OF PONCHATOULA, LOUISIANA**

Audited Financial Statements

Year Ended June 30, 2007

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 12/5/07

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CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ponchatoula, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 4-13 and budgetary comparison information presented as Schedules 1-3 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Arthur J. LeBlanc". The signature is written in a cursive, flowing style.

A Professional Accounting Corporation

November 2, 2007

**REQUIRED SUPPLEMENTAL INFORMATION - PART I  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis**

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As management of the City of Ponchatoula, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

This is the seventh year that the City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34. This reporting model significantly changed the presentation of financial data and also the manner in which the information is recorded. Prior year comparative information for this reporting period has been included in this MD&A, along with a narrative of the changes expected from one year to the next.

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

**Overview of the Financial Statements**

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

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

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**CITY OF PONCHATOULA, LOUISIANA**  
**Year Ended June 30, 2007**

**Management's Discussion and Analysis**

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

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

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

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

**Government-Wide Financial Analysis**

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

	2007	2006	Change	% Change
<b>Assets</b>				
Current and Other Assets	\$ 6,750,253	\$ 5,562,563	\$ 1,876,690	21.35%
Capital Assets	12,413,000	12,863,912	(450,912)	-3.51%
<b>Total Assets</b>	<b>19,163,253</b>	<b>18,426,475</b>	<b>736,778</b>	<b>4.00%</b>
<b>Liabilities</b>				
Current Liabilities	465,418	538,739	(73,321)	-13.61%
Long-Term Debt	972,540	1,294,398	(321,858)	-24.87%
<b>Total Liabilities</b>	<b>1,437,958</b>	<b>1,833,137</b>	<b>(395,179)</b>	<b>-21.56%</b>
<b>Net Assets</b>				
Invested in Capital Assets	11,477,000	11,592,539	(115,539)	-1.00%
Restricted Net Assets	575,965	659,407	(83,442)	-12.65%
Unrestricted Net Assets	5,672,330	4,341,392	1,330,938	30.66%
<b>Total Net Assets</b>	<b>\$ 17,725,295</b>	<b>\$ 16,593,338</b>	<b>\$ 1,131,957</b>	<b>6.82%</b>

**CITY OF PONCHATOULA, LOUISIANA**  
**Year Ended June 30, 2007**

**Management's Discussion and Analysis**

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$17,725,295 (*net assets*), an increase of \$1,131,957 from last year. Of the total amount, \$5,672,330 are unrestricted net assets. The City's net assets are comprised of \$10,206,933 from Governmental Activities and \$7,518,362 from Business Type Activities as shown on Statement A.

By far the largest portion of the City's net assets (64.75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, City infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.25 percent) represents resources that are subject to *external restrictions on how they may be used*. The remaining balance of \$5,672,330 unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

	2007	2006	Change	% Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,705,211	\$ 1,684,260	\$ 20,951	1.24%
Grants	528,105	1,253,811	(725,706)	-57.88%
General Revenues				
Taxes	3,538,099	3,257,208	280,891	8.62%
Other	1,112,671	930,790	181,881	19.54%
<b>Total Revenues</b>	<b>6,884,086</b>	<b>7,126,069</b>	<b>(241,983)</b>	<b>-3.40%</b>
<b>Expenses</b>				
Governmental Activities	4,609,249	4,100,900	508,349	12.40%
Business-Type Activities	1,142,880	1,545,975	(403,095)	-26.07%
<b>Total Expenses</b>	<b>5,752,129</b>	<b>5,646,875</b>	<b>105,254</b>	<b>1.86%</b>
<b>Change in Net Assets</b>	<b>1,131,957</b>	<b>1,479,194</b>	<b>(347,237)</b>	<b>-23.47%</b>
<b>Net Assets, Beginning of Year</b>	<b>16,593,338</b>	<b>15,114,144</b>	<b>1,479,194</b>	<b>9.79%</b>
<b>Net Assets, End of Year</b>	<b>\$ 17,725,295</b>	<b>\$ 16,593,338</b>	<b>\$ 1,131,957</b>	<b>6.82%</b>

**CITY OF PONCHATOULA, LOUISIANA**  
**Year Ended June 30, 2007**

**Management's Discussion and Analysis**

The City's revenue from charges for services increased by \$20,951 or 1.24%. This increase came mainly from public works, water, & sewer. There was an increase in revenues for public works by \$29,505, water by \$11,376 and sewer by \$34,598. There was a decrease in public safety by \$20,602, cemetery by \$3,600 and general government by \$30,326.

Operating grants increased by \$37,791. This increase was mainly due to intergovernmental revenues of \$205,042. Taxes increased by \$280,891 mainly as a result of sales taxes increasing by \$256,696.

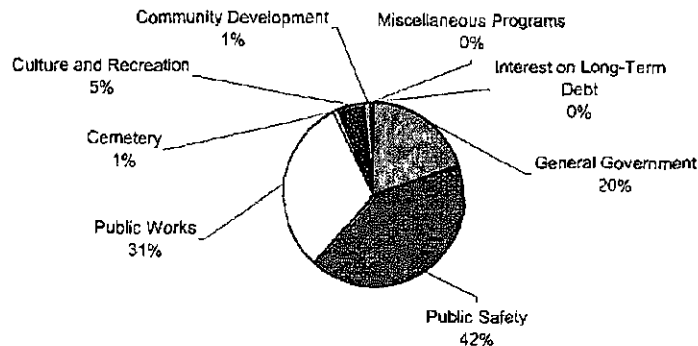
**Governmental Activities**

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

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

**Governmental Expenditures**

	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 912,627	19.80%
Public Safety	1,935,093	41.98%
Public Works	1,416,307	30.73%
Cemetery	44,217	0.96%
Culture and Recreation	217,984	4.73%
Community Development	53,156	1.15%
Miscellaneous Programs	14,206	0.31%
Interest on Long-Term Debt	15,659	0.34%
<b>Total Governmental Activities</b>	<b>\$ 4,609,249</b>	<b>100.00%</b>

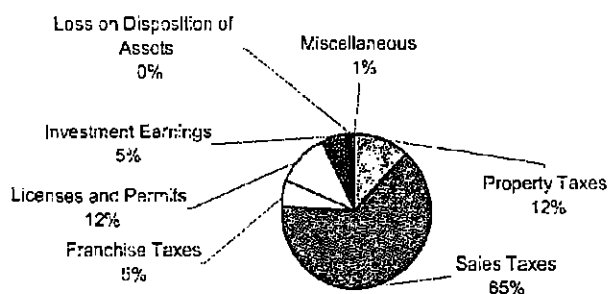


**CITY OF PONCHATOULA, LOUISIANA**  
**Year Ended June 30, 2007**

**Management's Discussion and Analysis**

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

<b>General Revenues</b>		
	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$ 571,859	12.47%
Sales Taxes	2,966,240	64.70%
Franchise Fees	226,811	4.95%
Licenses and Permits	561,300	12.24%
Investment Earnings	222,553	4.85%
Loss on Disposition of Assets	(5,703)	-0.12%
Miscellaneous	41,500	0.91%
<b>Total General Revenues</b>	<b>\$ 4,584,560</b>	<b>100.00%</b>



Sales taxes are the largest revenue source for the City comprising 64.70% of total governmental revenue. Property taxes are the second largest revenue source for the City accounting for 12.47% of total governmental revenue. For the year ended June 30, 2007, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for police pay, fire pay and to purchase equipment for both departments.

	<b>2007</b>		<b>2006</b>	
	<b>Taxes Levied</b>	<b>Mills</b>	<b>Taxes Levied</b>	<b>Mills</b>
General Fund Millage	\$ 224,168	6.52	\$ 211,518	6.52
Police Millage	206,290	6.00	194,648	6.00
Fire Millage	68,763	2.00	64,883	2.00
Equipment Millage	68,763	2.00	64,883	2.00
<b>Total Property Taxes Levied</b>	<b>\$ 567,984</b>	<b>16.52</b>	<b>\$ 535,932</b>	<b>16.52</b>

**CITY OF PONCHATOULA, LOUISIANA**  
**Year Ended June 30, 2007**

**Management's Discussion and Analysis**

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**Business-Type Activities**

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

**Operating Revenues**

	<u>Water</u>	<u>Sewer</u>
Fiscal Year Ended June 30, 2007	\$ 313,037	\$ 860,241
Fiscal Year Ended June 30, 2006	<u>301,661</u>	<u>825,643</u>
Increase Between Years	<u>\$ 11,376</u>	<u>\$ 34,598</u>

**Operating Expenses**

	<u>Water</u>	<u>Sewer</u>
Fiscal Year Ended June 30, 2007	\$ 355,802	\$ 755,786
Fiscal Year Ended June 30, 2006	<u>314,011</u>	<u>1,204,134</u>
Increase (Decrease) Between Years	<u>\$ 41,791</u>	<u>\$ (448,348)</u>

**2. FUND FINANCIAL STATEMENTS**

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

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

**Management's Discussion and Analysis**

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, 1965 Sales Tax Fund, and 1982 Sales Tax Funds, which are considered to be major funds. Data from the other governmental funds (Mausoleum Trust Fund, Fireman Pay Millage Fund, Policeman Pay Millage Fund, Equipment Millage Fund, 2002 LCDBG Housing Rehabilitation Fund, 1998 Sales Tax Sinking Fund, 2003 Series ST Bond Sinking Fund and Cemetery Endowment Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on Statements C and E of this report. The summary of the non-major funds is found on Schedules 4 and 5.

**Financial Analysis of the Governmental Funds**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,988,403, an increase of \$1,137,496 from June 30, 2006. In the General Fund, the unreserved fund balance is \$1,380,642 as is shown in Statement C.

At June 30, 2007, the City has fund balances of \$1,411,387 and \$1,407,794 in each of the Sales Tax Funds to provide for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions.

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

**Management's Discussion and Analysis**

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The reserved fund balance in governmental funds in the amount of \$244,343 indicate that these funds are not available for new spending because they have already been committed for debt service. The debt service funds' total fund balance is reserved for the payment of debt and the Cemetery Endowment Fund's total fund balance is reserved for care of the cemetery.

Fund Balance in the City's Major Funds:

<b>Fund Balance Date</b>	<b>General Fund</b>	<b>1965 Sales Tax Fund</b>	<b>1982 Sales Tax Fund</b>
June 30, 2007	\$ 1,380,642	\$ 1,411,387	\$ 1,407,794
June 30, 2006	1,019,469	989,948	1,112,114
Increase in Fund Balance	<u>\$ 361,173</u>	<u>\$ 421,439</u>	<u>\$ 295,680</u>

Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on Schedule 4.

- B. Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on Statements G, H and I.

**3. NOTES TO FINANCIAL STATEMENTS**

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

**4. OTHER SUPPLEMENTARY INFORMATION**

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

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

**Management's Discussion and Analysis**

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- B. Significant variations from the general fund's original budget amounts and final budget amounts are as follows:
- Taxes were increased by \$264,050 because of higher than originally expected sales tax collections. Intergovernmental Revenues decreased by \$466,398 because of decreased grant income.
  - Community Development expenditures decreased by \$335,894. This was due to delaying certain expenses for community development until late 2007. Originally, \$300,000 was budgeted to resolve certain retirement system issues. However, these expenses were also delayed until late 2007.

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

**Supplemental Information**

Combining statements of the non-major Governmental Funds - Special Revenue (Mausoleum Trust Fund, Fireman Pay Millage Fund, Policeman Pay Millage Fund, Equipment Millage Fund, 2002 LCDBG Housing Rehabilitation Fund, and Cemetery Endowment Fund) and Debt Service Funds (1998 Sales Tax Sinking, 2003 Series ST Bond Sinking) have been provided beginning on Schedule 4.

**Capital Asset and Debt Administration**

**1. Capital Assets**

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2007 in its governmental activities is \$5,634,843 and in business-type activities is \$6,778,157 which totals \$12,413,000 for the City. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$304,045 for governmental activities and a \$161,708 decrease for business-type activities.

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

- A. Infrastructure was added at a cost of \$21,700.
- B. Vehicles and Equipment were added at a cost of \$142,400.
- C. Computers were increased by 7,400.

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

**Management's Discussion and Analysis**

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**2. Long-Term Debt**

At the end of the current fiscal year, the City had total debt outstanding of \$1,070,000. Of this amount, \$175,000 comprises a Certificate of Indebtedness payable from a pledge of the excess revenues of the General Fund, \$238,000 payable from a pledge of the City's 1982 1% Sales and Use Tax, and \$657,000 payable from a pledge of the City's sewer revenues.

The City's total debt decreased during the current fiscal year in the amount of \$329,373 made in principal payments toward the outstanding debt.

Additional information on the City's long-term debt can be found in Note 10.

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

The following factors were considered in preparing the City's budget for the 2007 fiscal year:

Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing FY 2007's collections, it was noted that overall receipts exceeded the budget projection by more than \$100,000. Inasmuch, this years' projected collections were increased.

The City expects several grants to be funded in early 2008 for various public works projects. These projects include sidewalk improvements, tree planting, sewer improvements and the purchase of equipment.

During the budget planning process, funds have been designated for certain capital outlays. Those outlays include setting aside funds for a new fleet of police vehicles as well as improvements to our sewer and water infrastructure.

The City plans to continue work on its comprehensive planning program as funded by the Louisiana Division of Administration. Additional personnel are also anticipated for the Building Official's office in order to keep up with the enforcement of present ordinances.

The City has retained a consultant to evaluate its business operations. The goal is to establish better and more efficient operations in all City departments.

**Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

## CITY OF PONCHATOULA, LOUISIANA

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,605,751	\$ 539,050	\$ 4,144,801
Investments	646,340	202,023	848,363
Receivables, Net	593,546	102,218	695,764
Due from Other Governments	80,865	-	80,865
Internal Balances	(97,742)	97,742	-
Restricted Cash and Cash Equivalents	130,898	448,367	579,265
Restricted Investments	113,445	267,995	381,440
Prepaid Assets	11,142	-	11,142
Capital Assets, Net	5,634,843	6,778,157	12,413,000
Other Assets	-	8,613	8,613
<b>Total Assets</b>	<b>10,719,088</b>	<b>8,444,165</b>	<b>19,163,253</b>
<b>Liabilities</b>			
Accounts Payable	51,397	11,198	62,595
Accrued Liabilities	44,445	6,865	51,310
Accrued Interest Payable	3,313	13,200	16,513
Public Improvement Bonds			
Due Within Year	116,000	-	116,000
Due in More than One Year	122,000	-	122,000
Certificate of Indebtedness			
Due Within Year	85,000	-	85,000
Due in More than One Year	90,000	-	90,000
Revenue Bonds			
Due Within Year	-	134,000	134,000
Due in More than One Year	-	523,000	523,000
Utility Meter Deposits	-	237,540	237,540
<b>Total Liabilities</b>	<b>512,155</b>	<b>925,803</b>	<b>1,437,958</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,221,843	6,255,157	11,477,000
Restricted For:			
Cemetery Endowment	122,121	-	122,121
Debt Service	122,222	323,818	446,040
Meter Deposits	-	7,804	7,804
Unrestricted Net Assets	4,740,747	931,583	5,672,330
<b>Total Net Assets</b>	<b>\$ 10,206,933</b>	<b>\$ 7,518,362</b>	<b>\$ 17,725,295</b>

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

CITY OF PONCHATOULA, LOUISIANA  
Statement of Activities  
Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
General Government	\$ 912,627	\$ -	\$ 45,502	\$ (867,125)	\$ -	\$ (867,125)
Public Safety	1,935,093	136,807	159,539	(1,638,747)	-	(1,638,747)
Public Works	1,416,307	395,126	323,064	(698,117)	-	(698,117)
Cemetery	44,217	-	-	(44,217)	-	(44,217)
Culture and Recreation	217,984	-	-	(217,984)	-	(217,984)
Community Development	53,156	-	-	(53,156)	-	(53,156)
Miscellaneous Programs	14,206	-	-	(14,206)	-	(14,206)
Interest on Long-Term Debt	15,659	-	-	(15,659)	-	(15,659)
<b>Total Governmental Activities</b>	<b>4,609,249</b>	<b>531,933</b>	<b>528,105</b>	<b>(3,549,211)</b>	<b>-</b>	<b>(3,549,211)</b>
<b>Business-Type Activities</b>						
Water	355,802	313,037	-	-	(42,765)	(42,765)
Sewer	755,786	860,241	-	-	104,455	104,455
Interest on Long-Term Debt	31,292	-	-	-	(31,292)	(31,292)
<b>Total Business-Type Activities</b>	<b>1,142,880</b>	<b>1,173,278</b>	<b>-</b>	<b>-</b>	<b>30,398</b>	<b>30,398</b>
<b>Total</b>	<b>\$ 5,752,129</b>	<b>\$ 1,705,211</b>	<b>\$ 528,105</b>	<b>(3,549,211)</b>	<b>30,398</b>	<b>(3,518,813)</b>
<b>General Revenues</b>						
<b>Taxes</b>						
Property Tax				571,859	-	571,859
Sales Tax				2,966,240	-	2,966,240
Franchise Fees				226,811	-	226,811
Licenses and Permits				561,300	-	561,300
Investment Earnings				222,553	66,210	288,763
Loss on Disposition of Assets				(5,703)	-	(5,703)
Miscellaneous				41,500	-	41,500
<b>Total General Revenues and Transfers</b>				<b>4,584,560</b>	<b>66,210</b>	<b>4,650,770</b>
<b>Change in Net Assets</b>				<b>1,035,349</b>	<b>96,608</b>	<b>1,131,957</b>
<b>Net Assets, Beginning of Year</b>				<b>9,171,584</b>	<b>7,421,754</b>	<b>16,593,338</b>
<b>Net Assets, End of Year</b>				<b>\$ 10,206,933</b>	<b>\$ 7,518,362</b>	<b>\$ 17,725,295</b>

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

**BASIC FINANCIAL STATEMENTS**  
**FUND FINANCIAL STATEMENTS**

## CITY OF PONCHATOULA, LOUISIANA

## Balance Sheet

## Governmental Funds

June 30, 2007

	General Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
		1965 Sales Tax Fund	1982 Sales Tax Fund		
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,279,749	\$ 901,463	\$ 918,727	\$ 636,710	\$ 3,736,649
Investments	102,802	262,985	242,128	151,870	759,785
Receivables, Net					
Franchise Taxes	40,764	-	-	-	40,764
Sales Taxes	-	248,555	248,555	-	497,110
Garbage Collection Fees	29,318	-	-	-	29,318
Other Receivables	26,354	-	-	-	26,354
Due from Other Funds	30,653	-	-	-	30,653
Due from Other Governments	80,865	-	-	-	80,865
Prepaid Assets	11,142	-	-	-	11,142
<b>Total Assets</b>	<b>\$ 1,801,647</b>	<b>\$ 1,413,003</b>	<b>\$ 1,409,410</b>	<b>\$ 788,580</b>	<b>\$ 5,212,640</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 48,165	\$ 1,616	\$ 1,616	\$ -	\$ 51,397
Accrued Liabilities	44,445	-	-	-	44,445
Due to Other Funds	128,395	-	-	-	128,395
<b>Total Liabilities</b>	<b>221,005</b>	<b>1,616</b>	<b>1,616</b>	<b>-</b>	<b>224,237</b>
<b>Fund Balances</b>					
Reserved for Debt Service	-	-	-	122,222	122,222
Reserved for Cemetery Endowment	-	-	-	122,121	122,121
Unreserved, Reported in:					
General Fund	1,380,642	-	-	-	1,380,642
Special Revenue Fund	-	1,411,387	1,407,794	544,237	3,363,418
<b>Total Fund Balances</b>	<b>1,380,642</b>	<b>1,411,387</b>	<b>1,407,794</b>	<b>788,580</b>	<b>4,988,403</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,601,647</b>	<b>\$ 1,413,003</b>	<b>\$ 1,409,410</b>	<b>\$ 788,580</b>	<b>\$ 5,212,640</b>

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

**CITY OF PONCHATOULA, LOUISIANA**  
**Reconciliation of the Governmental Fund Balance Sheet to the**  
**Government-Wide Statement of Net Assets**  
**Year Ended June 30, 2007**

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

Fund Balances - Total Governmental Funds	\$ 4,988,403
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Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the governmental funds.

Governmental Capital Assets	12,538,050
Less: Accumulated Depreciation	(6,903,207)

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

Accrued Interest on Bonds	(3,313)
Public Improvement Bonds	(238,000)
Certificate of Indebtedness	<u>(175,000)</u>

Net Assets of Governmental Activities	<u>\$ 10,206,933</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PONCHATOULA, LOUISIANA  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year Ended June 30, 2007

	General Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
		1965 Sales Tax Fund	1982 Sales Tax Fund		
<b>Revenues</b>					
Taxes					
Property Taxes	\$ 229,884	\$ -	\$ -	\$ 341,975	\$ 571,859
Sales Taxes	-	1,483,120	1,483,120	-	2,966,240
Franchise Fees	226,811	-	-	-	226,811
Licenses and Permits	561,300	-	-	-	561,300
Intergovernmental Revenue	205,042	-	-	-	205,042
FEMA Reimbursements	323,064	-	-	-	323,064
Fines and Forfeitures	136,807	-	-	-	136,807
Sanitation Service Fees	395,126	-	-	-	395,126
Interest Income	84,011	55,692	47,039	35,811	222,553
Other Revenues	40,800	-	-	700	41,500
<b>Total Revenues</b>	<b>2,202,845</b>	<b>1,538,812</b>	<b>1,530,159</b>	<b>378,486</b>	<b>5,650,302</b>
<b>Expenditures</b>					
Current:					
General Government	839,270	11,176	11,176	2,241	863,863
Public Safety	1,840,049	-	-	51,585	1,891,614
Public Works	1,252,891	-	-	-	1,252,891
Cemetery	44,130	-	-	-	44,130
Culture and Recreation	204,759	-	-	-	204,759
Community Development	15,790	-	-	-	15,790
Miscellaneous Programs	22,202	-	-	-	22,202
Debt Service					
Principal	7,373	-	-	194,000	201,373
Interest	388	-	-	15,816	16,184
<b>Total Expenditures</b>	<b>4,226,832</b>	<b>11,176</b>	<b>11,176</b>	<b>263,622</b>	<b>4,512,806</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,023,987)	1,527,636	1,518,983	114,864	1,137,496
<b>Other Financing Sources (Uses)</b>					
Transfers In	2,479,000	-	697	212,340	2,692,037
Transfers Out	(93,840)	(1,106,197)	(1,224,000)	(268,000)	(2,692,037)
<b>Total Other Financing Sources (Uses)</b>	<b>2,385,160</b>	<b>(1,106,197)</b>	<b>(1,223,303)</b>	<b>(55,660)</b>	<b>-</b>
<b>Changes in Fund Balances</b>	<b>361,173</b>	<b>421,439</b>	<b>295,680</b>	<b>59,204</b>	<b>1,137,496</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,019,469</b>	<b>989,948</b>	<b>1,112,114</b>	<b>729,376</b>	<b>3,850,907</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,380,642</b>	<b>\$ 1,411,387</b>	<b>\$ 1,407,794</b>	<b>\$ 788,580</b>	<b>\$ 4,988,403</b>

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

**CITY OF PONCHATOULA, LOUISIANA**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Government-Wide**  
**Statement of Activities**  
**Year Ended June 30, 2007**

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

Changes in Fund Balances - Total Governmental Funds	\$ 1,137,496
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which depreciation charged exceeded capital outlay in the current period.	(298,342)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations)	(5,703)
Change in Accrued Interest	525
Repayment of bonds, certificate of indebtedness and capital lease obligations is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>201,373</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,035,349</u></u>

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

CITY OF PONCHATOULA, LOUISIANA  
 Statements of Net Assets  
 Proprietary Funds  
 June 30, 2007 and 2006

Assets	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2007	2006
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 539,050	\$ -	\$ 539,050	\$ 39,685
Investments	202,023	-	202,023	194,951
Accounts Receivable, Net	28,645	73,573	102,218	101,952
Due from Other Funds	-	168,731	168,731	467,834
<b>Total Current Assets</b>	<b>769,718</b>	<b>242,304</b>	<b>1,012,022</b>	<b>804,422</b>
<b>Non-Current Assets</b>				
<b>Restricted Assets</b>				
<b>Cash and Cash Equivalents</b>				
Water Fund - Meter Deposit	49,079	-	49,079	37,376
Sewer Fund - Revenue	-	292,012	292,012	395,395
Sewer Fund - Sinking	-	54,575	54,575	51,458
Sewer Fund - Renewal & Replacement	-	52,701	52,701	50,010
<b>Investments</b>				
Water Fund - Meter Deposit	196,265	-	196,265	186,291
Sewer Fund - Revenue	-	71,730	71,730	68,085
<b>Total Restricted Assets</b>	<b>245,344</b>	<b>471,018</b>	<b>716,362</b>	<b>788,615</b>
<b>Capital Assets</b>				
Property, Plant and Equipment, at Cost	2,889,905	7,631,316	10,521,221	10,418,951
Less: Accumulated Depreciation	(1,168,411)	(2,667,076)	(3,835,487)	(3,589,350)
Land	89,253	3,170	92,423	95,423
<b>Total Capital Assets</b>	<b>1,810,747</b>	<b>4,967,410</b>	<b>6,778,157</b>	<b>6,925,024</b>
<b>Other Assets</b>				
Bond Issuance Costs	-	15,559	15,559	15,559
Less: Accumulated Amortization	-	(6,946)	(6,946)	(5,104)
<b>Total Other Assets</b>	<b>-</b>	<b>8,613</b>	<b>8,613</b>	<b>10,455</b>
<b>Total Assets</b>	<b>\$ 2,825,809</b>	<b>\$ 5,689,345</b>	<b>\$ 8,515,154</b>	<b>\$ 8,528,516</b>

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

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Net Assets**  
**Proprietary Funds**  
**June 30, 2007 and 2006**

<b>Liabilities</b>	<b>Business-Type Activities Enterprise Funds</b>		<b>Total (Memorandum Only)</b>	
	<b>Water</b>	<b>Sewer</b>	<b>2007</b>	<b>2006</b>
<b>Current Liabilities</b>				
(Payable from Current Assets)				
Accounts Payable	\$ 2,852	\$ 8,346	\$ 11,198	\$ 11,198
Accrued Liabilities	3,270	3,595	6,865	8,627
Due to Other Funds	70,989	-	70,989	69,316
<b>Total Current Liabilities (Payable from Current Assets)</b>	<b>77,111</b>	<b>11,941</b>	<b>89,052</b>	<b>89,141</b>
<b>Current Liabilities</b>				
(Payable from Restricted Assets)				
Meter Deposits	237,540	-	237,540	224,398
Revenue Bonds	-	134,000	134,000	128,000
Accrued Interest	-	13,200	13,200	8,223
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<b>237,540</b>	<b>147,200</b>	<b>384,740</b>	<b>360,621</b>
<b>Long-Term Liabilities</b>				
Revenue Bonds Payable	-	523,000	523,000	657,000
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>523,000</b>	<b>523,000</b>	<b>657,000</b>
<b>Total Liabilities</b>	<b>314,651</b>	<b>682,141</b>	<b>996,792</b>	<b>1,106,762</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,810,747	4,444,410	6,255,157	6,268,024
Restricted For:				
Debt Service	-	323,818	323,818	428,725
Meter Deposits	7,804	-	7,804	-
Unrestricted Net Assets	692,607	238,976	931,583	725,005
<b>Total Net Assets</b>	<b>\$ 2,511,158</b>	<b>\$ 5,007,204</b>	<b>\$ 7,518,362</b>	<b>\$ 7,421,754</b>

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

**CITY OF PONCHATOULA, LOUISIANA**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Years Ended June 30, 2007 and 2006**

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2007	2006
<b>Operating Revenues</b>				
Charges for Services	\$ 310,296	\$ 851,321	\$ 1,161,617	\$ 1,114,679
Connection Fees	2,741	-	2,741	525
FEMA Reimbursements	-	-	-	589,155
Inspection Fees	-	8,920	8,920	12,100
<b>Total Operating Revenues</b>	<b>313,037</b>	<b>860,241</b>	<b>1,173,278</b>	<b>1,716,459</b>
<b>Operating Expenses</b>				
Salaries and Employee Benefits	129,568	120,955	250,523	261,786
Supplies	39,034	15,518	54,552	36,266
Professional Fees	5,500	5,650	11,150	11,000
Repairs and Maintenance	64,413	172,918	237,331	158,016
Vehicle Expense	7,400	7,153	14,553	12,676
Utilities and Telephone	38,949	92,030	130,979	91,778
Depreciation and Amortization	56,025	191,955	247,980	254,590
Environmental Testing	-	26,775	26,775	16,433
Insurance	8,946	6,059	15,005	8,971
Bad Debts	-	3,226	3,226	7,210
Hurricane Katrina Repairs	-	112,694	112,694	644,131
Miscellaneous	5,967	853	6,820	15,288
<b>Total Operating Expenses</b>	<b>355,802</b>	<b>755,786</b>	<b>1,111,588</b>	<b>1,518,145</b>
<b>Operating (Loss) Income</b>	<b>(42,765)</b>	<b>104,455</b>	<b>61,690</b>	<b>198,314</b>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Interest	36,055	28,399	64,454	43,414
Interest Expense	-	(31,292)	(31,292)	(27,830)
Change in Fair Market Value of Investments	1,756	-	1,756	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>37,811</b>	<b>(2,893)</b>	<b>34,918</b>	<b>15,584</b>
<b>Changes in Net Assets</b>	<b>(4,954)</b>	<b>101,562</b>	<b>96,608</b>	<b>213,898</b>
<b>Net Assets, Beginning of Year</b>	<b>2,516,112</b>	<b>4,905,642</b>	<b>7,421,754</b>	<b>7,207,856</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,511,158</b>	<b>\$ 5,007,204</b>	<b>\$ 7,518,362</b>	<b>\$ 7,421,754</b>

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

CITY OF PONCHATOULA, LOUISIANA  
 Statements of Cash Flows  
 Proprietary Funds  
 Years Ended June 30, 2007 and 2006

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2007	2006
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 332,567	\$ 850,361	\$ 1,182,928	\$ 1,126,100
Payments to Suppliers	(170,209)	(439,650)	(609,859)	(994,560)
Payments to Employees	(126,298)	(125,987)	(252,285)	(261,787)
Federal Emergency Management Agency Reimbursements	-	-	-	589,155
<b>Net Cash Provided by Operating Activities</b>	<b>36,060</b>	<b>284,724</b>	<b>320,784</b>	<b>458,908</b>
<b>Cash Flows from Non-Capital Financing Activities</b>				
New Interfund Borrowings from Other Funds	538,823	(238,047)	300,776	(399,430)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>538,823</b>	<b>(238,047)</b>	<b>300,776</b>	<b>(399,430)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Equipment	(84,579)	(14,691)	(99,270)	(99,433)
Principal Paid on Revenue Bonds	-	(128,000)	(128,000)	(125,000)
Interest Paid on Revenue Bonds	-	(26,315)	(26,315)	(29,253)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(84,579)</b>	<b>(169,006)</b>	<b>(253,585)</b>	<b>(253,686)</b>
<b>Cash Flows from Investing Activities</b>				
Interest Earned on Investments	36,055	28,399	64,454	43,414
Change in Fair Market Value of Investments	1,755	-	1,755	-
Sale (Purchase) of Investments, Net	(17,046)	(3,645)	(20,691)	(9,692)
<b>Net Cash Provided by Investing Activities</b>	<b>20,764</b>	<b>24,754</b>	<b>45,518</b>	<b>33,722</b>
Net Increase (Decrease) in Cash and Cash Equivalents	511,068	(97,575)	413,493	(160,486)
Cash and Cash Equivalents, Beginning of Year	77,061	496,863	573,924	734,410
Cash and Cash Equivalents, End of Year	\$ 588,129	\$ 399,288	\$ 987,417	\$ 573,924
<b>Cash and Cash Equivalents Reconciliation</b>				
Unrestricted Cash and Cash Equivalents	\$ 539,050	\$ -	\$ 539,050	\$ 39,685
Restricted Cash and Cash Equivalents	49,079	399,288	448,367	534,239
Cash and Cash Equivalents, End of Year	\$ 588,129	\$ 399,288	\$ 987,417	\$ 573,924

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

CITY OF PONCHATOULA, LOUISIANA  
 Statements of Cash Flows (Continued)  
 Proprietary Funds  
 Years Ended June 30, 2007 and 2006

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2007	2006
<b>Reconciliation of Operating (Loss) Income to Net Cash</b>				
<b>Provided by Operating Activities:</b>				
Operating (Loss) Income	\$ (42,765)	\$ 104,455	\$ 61,690	\$ 198,314
Adjustments to Reconcile Operating (Loss) Income to Net Cash				
Provided by Operating Activities				
Depreciation and Amortization	56,025	191,955	247,980	254,590
Bad Debt Expense	-	3,226	3,226	7,210
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	6,388	(9,080)	(3,492)	(21,208)
Increase (Decrease) in Accrued Liabilities	3,270	(5,032)	(1,762)	-
Increase in Customer Deposits	13,142	-	13,142	20,002
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 36,060</b>	<b>\$ 284,724</b>	<b>\$ 320,784</b>	<b>\$ 458,908</b>
Supplemental Information:				
Interest Paid	\$ -	\$ 26,315	\$ 26,315	\$ 29,253

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

**NOTES TO FINANCIAL STATEMENTS**

# **CITY OF PONCHATOULA, LOUISIANA**

## **Notes to Financial Statements**

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### **Introduction**

The City of Ponchatoula, Louisiana (the City) was first incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected for a four-year term. The City Council consists of five council members, each elected from a separate district in the City and each serving a four-year term of office. The Mayor and each member of the City Council are compensated for their service to the City. The City is located north of New Orleans, Louisiana, and east of Baton Rouge, Louisiana, at the intersections of Interstate Highway 55 and Interstate Highway 12. The population of the City, according to the most recent census taken in 2000, is 5,180. The current number of commercial and residential utility customers served is 2,682. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture/recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer utilities. The City presently maintains 36 miles of roads and streets. The City has 55 full-time employees.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

### **Note 1. Summary of Significant Accounting Policies**

#### **Financial Reporting Entity**

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

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

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

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Government-Wide Financial Statements**

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

#### **Statement of Net Assets**

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

#### **Statement of Activities**

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

#### **Budgetary Comparison Schedules**

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

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

#### **Government-Wide and Fund Accounting**

The basic financial statements include both government-wide (based on the City as a whole) and fund types (the total of all funds of a particular type). Under the current reporting model, the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Government-Wide and Fund Accounting (Continued)

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City, generally, first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

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

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

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

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

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

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Government-Wide and Fund Accounting (Continued)

##### *Governmental Funds*

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

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

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

**Debt Service Funds** - Debt Service Funds account for resources set aside to pay interest and principal on long-term debt. The 1998 Sales Tax Sinking Fund and 2003 Series Sales Tax Bond Sinking Fund are considered to be non-major funds for reporting purposes.

**Permanent Fund** - Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. The Cemetery Endowment Fund is considered to be a non-major fund for reporting purposes. In prior years, this fund was reported as an agency fund, however management feels that this fund's purpose fits the definition of a permanent fund and has chosen to report it as such.

##### *Proprietary Funds*

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business-type activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services as well as materials, contracts, personnel, and dedication. In accordance with Governmental Accounting Standards Board (GASB Statement No. 20), the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Government-Wide and Fund Accounting (Continued)

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

#### Basis of Accounting

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

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

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

The statements of net assets, statements of activities, financial statements of the Proprietary Funds and Fiduciary Funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Budgets and Budgetary Accounting

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

- The Finance Manager/Payroll Clerk prepares a proposed budget and submits this budget to the Mayor and City Council no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the year ended June 30, 2007 was submitted to the City Council on June 15, 2006.
- A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2007, was published timely in the official journal.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2007, on June 30, 2006.
- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget for the year ended June 30, 2007, was adopted on June 30, 2006.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council. Budget for the year ended June 30, 2007, was amended on June 25, 2007, by Ordinance No. 635.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Cash and Investments**

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

#### **Allowance for Uncollectible Accounts**

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

#### **Short-Term Interfund Receivables / Payables**

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

#### **Inventory**

The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2007, as the amount is immaterial.

#### **Restricted Assets**

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

Assets of the Cemetery Endowment Fund are legally restricted to the extent that only earnings, and not principal may be used.

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

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2007, was immaterial.

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

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

#### Compensated Absences

The City's policy is to allow employees' vacation pay based on employee classification and length of service. Sick leave is provided for by the City but is noncumulative and the employee's right to unused sick leave does not vest. Vacation pay is cumulative with any unpaid amounts paid to employees upon separation from the City's service. The current portions of the governmental funds' compensated absences liabilities are recorded as accrued liabilities in the General, Special Revenue, and Enterprise Funds.

#### Long-Term Obligations

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

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Fund Equity

##### *Government-Wide Statements*

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

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

##### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 18 for additional disclosures.

#### **Interfund Transactions**

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

#### **Sales and Use Taxes**

Sales taxes are collected by the Tangipahoa Parish School Board and remitted to the City in the month following the receipt by the School Board. The School Board receives sales taxes approximately one month after collection by vendors. Sales taxes collected by the School Board in June and July (which represent May and June sales) and received by the City in July and August have been accrued and are recorded as "Accounts Receivable". The following are the sales taxes in effect as of June 30, 2007:

- The original 1965 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving drainage, streets, sidewalks, public buildings, fire department stations and equipment, garbage collection equipment and facilities, and the payment of salaries of certain municipal employees. There is no expiration date on this sales and use tax.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Sales and Use Taxes (Continued)

- The additional 1982 1% sales and use tax passed by the voters is to be used for extending, acquiring, maintaining, constructing, and improving sewers and sewer facilities, waterworks facilities, drainage and drain facilities, and for any other lawful corporate purpose of the City. There is no expiration date on this sales and use tax.

The City, through its governing authority, adopted a resolution on February 9, 1995, authorizing the issuance of \$1,725,000 of Public Improvement Bonds and entered into certain covenants in connection with the security and payment of said bonds. In that resolution, the proceeds of the 1982 1% sales and use tax were irrevocably and irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest, as they become due, and for other purposes. On August 14, 2003, the City, through its governing authority, adopted Ordinance No. 591 issuing \$617,000 Sales Tax Refunding Bonds, Series 2003, to refund the original Public Improvement Bonds. Proceeds from the 1982 sales and use tax remain pledged for the security of the Sales Tax Refunding Bonds, Series 2003, until paid in full in 2009.

#### Estimates

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

### Note 2. Stewardship, Compliance, and Accountability

#### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds, except the 2002 LCDBG Housing Rehabilitation Fund, which was not budgeted. All annual appropriations lapse at fiscal year end. See Note 3 regarding operating budgets. The City was in compliance with the Local Budget Act. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting.

#### Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 4 regarding cash and cash equivalents, and Note 5 regarding investments, the City was in compliance with the deposit and investment laws and regulations.

#### Deficit Fund Equity

As of June 30, 2007, no City funds had deficit fund equities.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 2. Stewardship, Compliance, and Accountability (Continued)**

**Compliance with Bond and Certificate of Indebtedness Covenants**

*Compliance with Sales Tax Refunding Bond Covenants*

As of June 30, 2007, the City was in compliance with all Sales Tax Refunding Bond Covenants. See Note 12 for a further discussion of the Sales Tax Refunding Bond Covenants.

*Compliance with Sewer Revenue Refunding Bond Covenants*

As of June 30, 2007, the City was in compliance with all Sewer Revenue Refunding Bond Covenants. See Note 14 for a further discussion of the Sewer Revenue Refunding Bond Covenants.

*Compliance with Certificates of Indebtedness Covenants*

As of June 30, 2007, the City was in compliance with all Certificates of Indebtedness Covenants. See Note 15 for a further discussion of the Certificates of Indebtedness Covenants.

**Note 3. Operating Budgets**

The City did not adopt an operating budget for the 2002 LCDBG Housing Rehabilitation Fund. Total revenues for this fund for the fiscal year ended June 30, 2007, totaled \$-0-. Total expenditures for this fund for the year ended June 30, 2007, totaled \$16.

**Note 4. Cash and Cash Equivalents**

At June 30, 2007, the City has \$4,724,066 (book balance) in interest-bearing demand deposits as follows:

	<b>Government-Wide Statement of Net Assets</b>
Interest Bearing Deposits	<u>\$ 4,724,066</u>

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

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 4. Cash and Cash Equivalents (Continued)

At June 30, 2007, the City has \$4,671,194 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance, and a \$4,571,194 letter of credit (GASB Category 3).

Even though the pledged securities are considered uncollateralized (GASB Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

### Note 5. Investments

At June 30, 2007, the City has investments which include \$836,133 invested in the Louisiana Asset Management Pool (LAMP) and \$393,670 in other securities which are described as follows:

Investment	Maturity	Fair Value
G.E. Capital Corporation Commercial Paper	7/11/2007	\$102,802
Federal National Mortgage Assoc. Callable Note	5/20/2010	97,406
FHLMC Step-up Call	7/30/2018	96,731
FHLMC Step-up Call	7/30/2018	96,731

### Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 LA-R.S. 33:2955.

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

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 5. Investments (Continued)

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: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

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

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 6. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the fiscal year ended June 30, 2007.

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 274,416	\$ -	\$ -	\$ 274,416
<b>Capital Assets Being Depreciated</b>				
Buildings	2,228,531	-	-	2,228,531
Improvements	2,008,408	-	-	2,008,408
Infrastructure	6,354,098	21,700	(11,881)	6,363,917
Computers	177,814	7,400	-	185,214
Vehicles	911,120	21,030	-	932,150
Office Equipment	26,555	-	(330)	26,225
Furniture and Fixtures	113,415	-	(307)	113,108
Machinery and Equipment	371,302	36,941	(2,160)	406,083
<b>Total Capital Assets Being Depreciated</b>	<b>12,191,243</b>	<b>87,071</b>	<b>(14,678)</b>	<b>12,263,636</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(1,092,032)	(55,236)	-	(1,147,268)
Improvements	(492,841)	(60,231)	-	(553,072)
Infrastructure	(3,772,575)	(171,652)	6,178	(3,938,049)
Computers	(87,073)	(21,797)	-	(108,870)
Vehicles	(804,316)	(40,287)	-	(844,603)
Office Equipment	(16,048)	(3,010)	330	(18,728)
Furniture and Fixtures	(97,343)	(3,271)	307	(100,307)
Machinery and Equipment	(164,543)	(29,929)	2,160	(192,312)
<b>Total Accumulated Depreciation</b>	<b>(6,526,771)</b>	<b>(385,413)</b>	<b>8,975</b>	<b>(6,903,209)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,664,472</b>	<b>(298,342)</b>	<b>(5,703)</b>	<b>5,360,427</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 5,938,888</b>	<b>\$ (298,342)</b>	<b>\$ (5,703)</b>	<b>\$ 5,634,843</b>

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 49,940
Public Safety	62,704
Public Works	222,091
Cemetery	87
Culture and Recreation	13,225
Community Development	37,366
<b>Total</b>	<b><u>\$ 385,413</u></b>

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Business-Type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 92,423	-	\$ -	\$ 92,423
<b>Capital Assets Being Depreciated</b>				
Buildings	39,907	-	-	39,907
Water Wells and Tower	2,727,301	-	-	2,727,301
Equipment and Vehicles	120,263	84,429	-	204,692
Wastewater Treatment	7,549,321	-	-	7,549,321
<b>Total Capital Assets Being Depreciated</b>	<b>10,436,792</b>	<b>84,429</b>	<b>-</b>	<b>10,521,221</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(11,240)	(798)	-	(12,038)
Water Wells and Tower	(1,042,832)	(46,587)	-	(1,089,419)
Equipment and Vehicles	(94,739)	(10,647)	-	(105,386)
Wastewater Treatment	(2,440,539)	(188,105)	-	(2,628,644)
<b>Total Accumulated Depreciation</b>	<b>(3,589,350)</b>	<b>(246,137)</b>	<b>-</b>	<b>(3,835,487)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,847,442</b>	<b>(161,708)</b>	<b>-</b>	<b>6,685,734</b>
<b>Total</b>	<b>\$ 6,939,865</b>	<b>\$ (161,708)</b>	<b>\$ -</b>	<b>\$ 6,778,157</b>

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 6. Capital Assets (Continued)

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

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

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

Primary Government	
Capital Outlay	\$ 87,071
Depreciation Expense	(385,413)
<b>Total</b>	<u>\$ (298,342)</u>

### Note 7. Employee Pension Plan

#### Louisiana Municipal Employees Retirement System

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

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

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

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

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### Note 7. Employee Pension Plan (Continued)

##### Louisiana Municipal Employees Retirement System (Continued)

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The City elected to become a member of the System on June 27, 1966, and is a member of Plan B. There are presently 83 contributing municipalities in Plan A and 59 in Plan B.

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

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

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

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

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

The employer contribution rate is 9.75% of members' earnings. The System also receives 1/4 of 1% of Ad Valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions; the remaining employer contributions are determined according to actuarial requirements and are set annually.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### Note 7. Employee Pension Plan (Continued)

#### Louisiana Municipal Employees Retirement System (Continued)

##### *Trend Information*

Pension Expenditures/Expenses:

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2005	77,309	100%
June 30, 2006	78,924	100%
June 30, 2007	60,368	100%

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

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

#### **Firefighters' Retirement System of Louisiana**

Beginning in August 2000, full-time fire employees of the City began participating in the Louisiana Firefighters' Retirement System (Fire System), a multiple-employer public employee retirement system. The payroll for employees covered by the Fire System for the year ended June 30, 2007, was \$232,572; the City's total payroll was \$1,684,410.

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

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

The employer contribution rate at June 30, 2007, is 9.00% of members' earnings.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 7. Employee Pension Plan (Continued)**

**Firefighters' Retirement System of Louisiana (Continued)**

*Trend Information*

Pension Expenditures/Expenses:

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2005	40,249	100%
June 30, 2006	29,870	100%
June 30, 2007	22,282	100%

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

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

**Municipal Police Employees Retirement System of Louisiana**

Beginning in July 2000, full-time police employees of the City began participating in the Municipal Police Employees Retirement System (Police System), a multiple-employer public employee retirement system. The payroll for employees covered by the Police System for the year ended June 30, 2007, was \$692,912; the City's total payroll was \$1,684,410.

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

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

The employer contribution rate is 16.50% of members' earnings.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 7. Employee Pension Plan (Continued)**

**Municipal Police Employees Retirement System of Louisiana (Continued)**

Pension Expenditures/Expenses:

<b>Fiscal Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contribution</b>
June 30, 2005	66,145	100%
June 30, 2006	62,968	100%
June 30, 2007	140,648	100%

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

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

**Note 8. Compensated Absences**

At June 30, 2007, employees of the City have accumulated and vested \$47,413 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$40,548 is recorded as an obligation of the General Fund. The leave liability accounted for in the Enterprise Funds for employees of the Enterprise Funds is \$6,865. These amounts were included in accrued liabilities on the accompanying financial statements.

**Note 9. Capital Lease Obligations**

The City had no outstanding lease agreements as of June 30, 2007.

**Note 10. Long-Term Debt**

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

**Governmental Activities**

As of June 30, 2007, the governmental long-term debt of the financial reporting entity consisted of the following:

**Certificates of Indebtedness:**

\$750,000 Certificate of Indebtedness dated  
October 21, 1998; Due in annual installments of  
\$60,000 - \$90,000 through September 1, 2008; Interest  
at 2.90%( Payable from a pledge of the excess revenues  
of the General Fund). \$ 175,000

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 10. Long-Term Debt (Continued)**

**Governmental Activities (Continued)**

**Public Improvement Bonds:**

\$617,000 Sales Tax Refunding Bonds dated September 23, 2003; Due in annual installments of \$56,000 - \$122,000 through March 1, 2009; Interest at 2.74% (Payable from a pledge of the City's 1982 1% Sales and Use Tax). \$ 238,000

**Total Governmental Activity Debt** \$ 413,000

As of June 30, 2007, the long-term debt payable from proprietary fund resources consisted of the following:

**Sewer Revenue Bonds:**

\$1,093,000 Series 2003 Sewer Revenue Refunding Bonds dated September 23, 2003, due in annual installments of \$60,000 - \$104,000 through March 1, 2012; Interest rate is 1.70% - 3.80% (Payable from a pledge of the City's sewer revenues). \$ 657,000

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	Capital Lease Obligations	Public Improvement Bonds	Certificate of Indebtedness	Sewer Revenue	Total
Bonds and Notes at July 1, 2006	\$ 7,373	\$ 347,000	\$ 260,000	\$ 785,000	\$ 1,399,373
Issued	-	-	-	-	-
Retired	(7,373)	(109,000)	(85,000)	(128,000)	(329,373)
Bonds and Notes at June 30, 2007	<u>\$ -</u>	<u>\$ 238,000</u>	<u>\$ 175,000</u>	<u>\$ 657,000</u>	<u>1,070,000</u>

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

**Note 10. Long-Term Debt (Continued)**

At June 30, 2007, the City has accumulated \$80,248 and \$41,974 in the debt service funds for future debt requirements for the Public Improvement Bonds and the Certificate of Indebtedness, respectively. The annual requirements to amortize all bonds and/or certificates outstanding at June 30, 2007, are as follows:

	Governmental Activities				Business Activities		Total	
	Public Improvement Bonds		Certificate of Indebtedness		Sewer Revenue			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	116,000	6,520	85,000	6,890	134,000	22,795	335,000	36,205
2009	122,000	3,342	90,000	2,340	135,000	18,775	347,000	24,457
2010	-	-	-	-	141,000	14,320	141,000	14,320
2011	-	-	-	-	143,000	9,315	143,000	9,315
2012	-	-	-	-	104,000	3,952	104,000	3,952
	<u>\$ 238,000</u>	<u>\$ 9,862</u>	<u>\$ 175,000</u>	<u>\$ 9,230</u>	<u>\$ 657,000</u>	<u>\$ 69,157</u>	<u>\$ 1,070,000</u>	<u>\$ 88,249</u>

**Note 11. Dedication of Proceeds and Flow of Funds - Sales and Use Tax**

Proceeds of the 2% sales and use tax levied by the City are dedicated to the following purposes:

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

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

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

The balance in the Sinking Fund at June 30, 2007, was in accordance with the bond covenants.

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### **Note 12. Compliance with Sales Tax Refunding Bond Covenants**

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

##### **Funds and Accounts**

The ordinance requires the City to establish a sinking fund. As of June 30, 2007, the City was in compliance with this bond covenant.

##### **Other Requirements**

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

As of June 30, 2007, the City was in compliance with these other bond covenants in all material respects.

#### **Note 13. Dedication of Proceeds and Flow of Funds - Sewer Revenues**

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

##### **Revenue Fund**

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

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

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

## CITY OF PONCHATOULA, LOUISIANA

### Notes to Financial Statements

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#### **Note 13. Dedication of Proceeds and Flow of Funds - Sewer Revenues (Continued)**

**Sinking Fund** - After the payment of all reasonable and necessary costs and expenses of maintaining the Sewer System, monies from the Revenue Fund shall be transferred to a separately identifiable account to be established with the City's fiscal agent bank and designated as the "Sinking Fund" in amounts sufficient to pay promptly and fully the principal of and interest on the bonds as they severally become due and payable. Monies from the Revenue Fund shall be transferred into the Sinking Fund monthly in advance on or before the twentieth (20th) day of each month of each year.

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

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

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

As of June 30, 2007, balances in the Sinking Fund and Renewal and Replacement Fund were in accordance with the bond covenants.

#### **Note 14. Compliance with Sewer Revenue Refunding Bond Covenants**

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

## **CITY OF PONCHATOULA, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 14. Compliance with Sewer Revenue Refunding Bond Covenants (Continued)**

##### **Rate Covenant**

In the ordinance, the City covenants to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the Sewer System and to revise the rates whenever necessary as will always provide revenues in each fiscal year sufficient to pay (i) the reasonable and necessary expenses of operation of the System, (ii) one hundred fifteen percent (115%) of the required deposits to the Sinking Fund for such fiscal year, (iii) all other payments required for such fiscal year by the bond resolution and loan agreement, and (iv) all other obligation or indebtedness payable out of the revenues for such fiscal year. In connection therewith, the City adopted an ordinance that established sewer user classifications, set specific sewer rates, and provided a detailed procedure for annual review and adjustment of sewer rates.

For the fiscal year ended June 30, 2007, the City was in compliance with the rate covenant.

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

At June 30, 2007, the City was in compliance with this bond covenant.

##### **Records, Accounts, and Audit Requirements**

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

As of June 30, 2007, the City was in compliance with this bond covenant.

##### **Insurance and Fidelity Bonds**

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

As of June 30, 2007, the City was in compliance with this bond covenant.

##### **Other Requirements**

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

As of June 30, 2007, the City was in compliance with these other bond covenants in all material respects.

# CITY OF PONCHATOULA, LOUISIANA

## Notes to Financial Statements

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### **Note 15. Compliance with Certificates of Indebtedness Covenants**

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

#### **Audit Requirements**

In the ordinance the City is required to cause an audit of its records and accounts to be made no later than three (3) months after the close of each fiscal year.

As of June 30, 2007, the City was in compliance with this ordinance covenant as it was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2007.

#### **Sinking Fund**

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

As of June 30, 2007, the City was in compliance with this bond covenant in all material respects.

#### **Other Requirements**

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

As of June 30, 2007, the City was in compliance with these other ordinance covenants in all material respects.

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

**Note 16. Interfund Receivables/Payables**

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2007, are as follows:

	Due From	Due To
<b>General Fund</b>		
Water Enterprise Fund	\$ 30,653	\$ -
Sewer Enterprise Fund	-	128,395
<b>Total General Fund</b>	<u>30,653</u>	<u>128,395</u>
<b>Water Enterprise Fund</b>		
General Fund	-	30,653
Sewer Fund	-	40,336
<b>Total Water Enterprise Fund</b>	<u>-</u>	<u>70,989</u>
<b>Sewer Enterprise Fund</b>		
General Fund	128,395	-
Water Fund	40,336	-
<b>Total Sewer Enterprise Fund</b>	<u>168,731</u>	<u>-</u>
<b>Total All Funds</b>	<u>\$ 199,384</u>	<u>\$ 199,384</u>

All interfund receivables/payables are considered short-term, as they are expected to be repaid within the next fiscal year.

**Note 17. Interfund Transfers**

Operating transfers between funds consist primarily of sales tax revenues transferred out of the Sales Tax Funds to the particular funds for which the sales tax revenue is to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2007:

	Transfers In	Transfers Out
General Fund	\$ 2,479,000	\$ 93,840
<b>Special Revenue Funds:</b>		
1965 Sales Tax Fund	-	1,106,197
1982 Sales Tax Fund	697	1,224,000
Fire Pay Millage Fund	-	67,000
Police Pay Millage Fund	-	201,000
<b>Debt Service Funds:</b>		
1998 Sales Tax Sinking	93,840	-
2003 Sales Tax Sinking	118,500	-
<b>Total All Funds</b>	<u>\$ 2,692,037</u>	<u>\$ 2,692,037</u>

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 18. Reserved and Restricted Fund Balances/Net Assets**

The City records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves and restrictions used by the City as of June 30, 2007.

Reserved/Restricted for Debt Service	
FY 1998 Sales Tax Sinking Fund	\$ 80,248
FY 2003 Series ST Bond Sinking Fund	41,974
Reserved/Restricted for Revenue Bond Debt Service	
Sewer Enterprise Fund	323,818
Reserved/Restricted for Endowment Principal – Permanent Fund	122,121
Reserved/Restricted for Meter Deposits	7,804
	<u>\$ 575,965</u>

**Note 19. Ad Valorem Taxes**

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the Tangipahoa Parish Assessor on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. The City bills and collects its own property taxes using the assessed values determined by the Tangipahoa Parish Tax Assessor.

Levy Date	June 28, 2005
Millage Rates Adopted	June 28, 2005
Tax Bills Mailed	December 3, 2006
Due Date	December 31, 2006
Lien Date	January 1, 2007

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

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 19. Ad Valorem Taxes (Continued)**

If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

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

All of the net taxes receivable at the end of the year are considered available. Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered available because they are substantially collected by the tax collector within 60 days subsequent to year-end and are, therefore, available to liquidate liabilities of the current period.

For the year ended June 30, 2007, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$34,381,587 and were dedicated as follows:

	<b>Authorized Millage</b>	<b>Levied Millage</b>	<b>Levied Taxes</b>	<b>Expiration Date</b>
General Corporate Purposes	6.52	6.52	\$ 224,168	-
Police Millage Fund	6.00	6.00	206,290	2010
Fire Millage Fund	2.00	2.00	68,763	2010
Equipment Millage Fund	2.00	2.00	68,763	2010
	<u>16.52</u>	<u>16.52</u>	<u>\$ 567,984</u>	

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

**CITY OF PONCHATOULA, LOUISIANA**

**Notes to Financial Statements**

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**Note 20. On-Behalf Payments for Salaries and Benefits**

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

Supplementary salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2007, the state paid supplemental salaries to the fire and law enforcement employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

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

	<b>State Supplemental Salaries</b>
Policeman Supplemental Pay	\$ 66,070
Fireman Supplemental Pay	15,300
Total On-Behalf Payments	<u>\$ 81,370</u>

**Note 21. Contingency**

During the year ended June 30, 2006, the City's administration became aware that seven active police department employees were incorrectly participating in the Municipal Employees Retirement System instead of the Municipal Police Employees Retirement System. The City's administration has discussed the issue with officials from both Systems. The cost of transferring the seven employees to the correct System could be as high as \$300,000. The issue must be resolved by a resolution of the Louisiana Legislature. The City does not expect to conclude this matter until late 2007.

**REQUIRED SUPPLEMENTAL INFORMATION**

CITY OF PONCHATOULA, LOUISIANA  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 230,950	\$ 495,000	\$ 456,695	\$ (38,305)
Licenses and Permits	746,500	536,000	561,300	25,300
Intergovernmental	1,043,343	576,945	528,106	(48,839)
Fines and Forfeitures	164,000	138,900	136,807	(2,093)
Sanitation Service Fees	360,000	384,400	395,126	10,726
Miscellaneous	61,150	110,750	124,811	14,061
<b>Total Revenues</b>	<b>2,605,943</b>	<b>2,241,995</b>	<b>2,202,845</b>	<b>(39,150)</b>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	971,993	883,050	839,270	43,780
Public Safety	1,881,187	1,859,470	1,840,049	19,421
Public Works	1,393,664	1,177,150	1,252,891	(75,741)
Cemetery	56,650	44,300	44,130	170
Culture and Recreation	310,316	171,500	204,759	(33,259)
Community Development	350,224	14,330	15,790	(1,460)
Miscellaneous Programs	26,870	25,300	22,202	3,098
Capital Outlay	100,000	-	-	-
Debt Service	93,845	96,310	7,741	88,569
Settlement of Retirement System Issues	300,000	-	-	-
Hurricane Repairs and City Matches	100,000	-	-	-
<b>Total Expenditures</b>	<b>5,584,749</b>	<b>4,271,410</b>	<b>4,226,832</b>	<b>44,578</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(2,978,806)</b>	<b>(2,029,415)</b>	<b>(2,023,987)</b>	<b>5,428</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,479,000	2,479,000	2,479,000	-
Transfers Out	-	-	(93,840)	(93,840)
<b>Total Other Financing Sources (Uses)</b>	<b>2,479,000</b>	<b>2,479,000</b>	<b>2,385,160</b>	<b>(93,840)</b>
<b>Change in Fund Balance</b>	<b>\$ (499,806)</b>	<b>\$ 449,585</b>	<b>361,173</b>	<b>\$ (88,412)</b>
<b>Fund Balance, Beginning of Year</b>			<b>1,019,469</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 1,380,642</b>	

See independent auditor's report.

CITY OF PONCHATOUILA, LOUISIANA  
 Budgetary Comparison Schedule  
 1965 Sales Tax Fund  
 For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
<b>Revenues</b>				
Sales Taxes	\$ 1,320,000	\$ 1,536,000	\$ 1,483,120	\$ (52,880)
Investment Interest	29,000	50,200	55,692	5,492
<b>Total Revenues</b>	<u>1,349,000</u>	<u>1,586,200</u>	<u>1,538,812</u>	<u>(47,388)</u>
<b>Expenditures</b>				
General Government				
Audit Expense	500	500	500	-
Collection Fees	8,580	10,756	10,676	80
<b>Total Expenditures</b>	<u>9,080</u>	<u>11,256</u>	<u>11,176</u>	<u>80</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,339,920</u>	<u>1,574,944</u>	<u>1,527,636</u>	<u>(47,308)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)				
General Fund	(1,105,500)	(1,105,500)	(1,105,500)	-
1982 Sales Tax Fund	-	-	(697)	(697)
<b>Total Other Financing Uses</b>	<u>(1,105,500)</u>	<u>(1,105,500)</u>	<u>(1,106,197)</u>	<u>(697)</u>
<b>Change in Fund Balance</b>	<u>\$ 234,420</u>	<u>\$ 469,444</u>	421,439	<u>\$ (48,005)</u>
<b>Fund Balance, Beginning of Year</b>			<u>989,948</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 1,411,387</u>	

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA  
 Budgetary Comparison Schedule  
 1982 Sales Tax Fund  
 For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
<b>Revenues</b>				
Sales Taxes	\$ 1,320,000	\$ 1,536,000	\$ 1,483,120	\$ (52,880)
Investment Interest	22,500	34,995	47,039	12,044
<b>Total Revenues</b>	<b>1,342,500</b>	<b>1,570,995</b>	<b>1,530,159</b>	<b>(40,836)</b>
<b>Expenditures</b>				
General Government				
Audit Expense	500	500	500	-
Collection Fees	8,580	10,756	10,676	80
<b>Total Expenditures</b>	<b>9,080</b>	<b>11,256</b>	<b>11,176</b>	<b>80</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,333,420</b>	<b>1,559,739</b>	<b>1,518,983</b>	<b>(40,756)</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)				
General Fund	(1,105,500)	(1,105,500)	(1,105,500)	-
1985 Sales Tax Fund	-	-	697	697
Series ST - 1994 Bond Sinking Fund	(118,510)	(118,500)	(118,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,224,010)</b>	<b>(1,224,000)</b>	<b>(1,223,303)</b>	<b>697</b>
<b>Change in Fund Balance</b>	<b>\$ 109,410</b>	<b>\$ 335,739</b>	<b>295,680</b>	<b>\$ (40,059)</b>
<b>Fund Balance, Beginning of Year</b>			<b>1,112,114</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 1,407,794</b>	

See independent auditor's report.

**OTHER SUPPLEMENTAL INFORMATION**

CITY OF PONCHATOULA, LOUISIANA  
 Non-Major Governmental Funds  
 Combining Balance Sheet  
 June 30, 2007

	Special Revenue					Debt Service				Permanent Fund	Total Non-Major Funds
	2002					2003					
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	LCDBG Housing Rehab Fund	FY 1998 Sales Tax Sinking Fund	Series ST Bond Sinking Fund	Cemetery Endowment Fund			
Assets											
Cash	\$ 62	\$ 92,156	\$ 217,931	\$ 195,663	\$ -	\$ 80,248	\$ 41,974	\$ 8,676	\$ 8,676	\$ 636,710	
Investments	38,425	-	-	-	-	-	-	113,445	-	151,870	
<b>Total Assets</b>	<b>\$ 38,487</b>	<b>\$ 92,156</b>	<b>\$ 217,931</b>	<b>\$ 195,663</b>	<b>\$ -</b>	<b>\$ 80,248</b>	<b>\$ 41,974</b>	<b>\$ 122,121</b>	<b>\$ 122,121</b>	<b>\$ 788,580</b>	
Liabilities and Fund Balances											
Liabilities											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund Balance											
Reserved for Debt Service	-	-	-	-	-	80,248	41,974	-	-	122,222	
Reserved for Cemetery Endowment	-	-	-	-	-	-	-	122,121	-	122,121	
Unreserved, Undesignated	38,487	92,156	217,931	195,663	-	-	-	-	-	544,237	
<b>Total Fund Balance</b>	<b>38,487</b>	<b>92,156</b>	<b>217,931</b>	<b>195,663</b>	<b>-</b>	<b>80,248</b>	<b>41,974</b>	<b>122,121</b>	<b>122,121</b>	<b>788,580</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 38,487</b>	<b>\$ 92,156</b>	<b>\$ 217,931</b>	<b>\$ 195,663</b>	<b>\$ -</b>	<b>\$ 80,248</b>	<b>\$ 41,974</b>	<b>\$ 122,121</b>	<b>\$ 122,121</b>	<b>\$ 788,580</b>	

See independent auditor's report.

**CITY OF PONCHA TOULA, LOUISIANA**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2007**

	Special Revenue				Debt Service				Permanent Fund
	2002				2003				
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	LCDBG Housing Rehab Fund	FY 1998 Sales Tax Sinking Fund	Series ST Bond Sinking Fund	Cemetery Endowment Fund	
<b>Revenues</b>									
Ad Valorem Taxes	\$ -	\$ 68,395	\$ 205,185	\$ 66,395	\$ -	\$ -	\$ -	\$ -	\$ 341,975
Contributions	-	-	-	-	-	-	-	700	700
Investment Interest	1,956	4,210	9,609	8,874	-	2,523	2,689	5,950	35,811
<b>Total Revenues</b>	1,956	72,605	214,794	77,269	-	2,523	2,689	6,650	378,486
<b>Expenditures</b>									
Current									
General Government	-	500	500	500	16	500	225	-	2,241
Public Safety	-	-	-	51,585	-	-	-	-	51,585
Debt Service	-	-	-	-	-	85,000	109,000	-	194,000
Principal Interest	-	-	-	-	-	6,308	9,508	-	15,816
<b>Total Expenditures</b>	-	500	500	52,085	16	91,808	118,733	-	283,622
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,956	72,105	214,294	25,204	(16)	(89,285)	(116,044)	6,650	114,864
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	-	-	-	93,840	118,500	-	212,340
Transfers Out	-	(67,000)	(201,000)	-	-	-	-	-	(268,000)
<b>Total Other Financing Sources (Uses)</b>	-	(67,000)	(201,000)	-	-	93,840	118,500	-	(55,660)
<b>Change in Fund Balance</b>	1,956	5,105	13,294	25,204	(16)	4,555	2,456	6,650	59,204
<b>Fund Balance, Beginning of Year</b>	36,531	87,051	204,637	170,459	16	75,693	39,518	115,471	729,376
<b>Fund Balance, End of Year</b>	\$ 38,487	\$ 92,156	\$ 217,931	\$ 195,663	\$ -	\$ 80,248	\$ 41,974	\$ 122,121	\$ 788,580

See independent auditor's report.

**CITY OF PONCHATOULA, LOUISIANA**  
**Schedule of Compensation Paid Elected Officials**  
**For the Year Ended June 30, 2007**

<b>Name and Address</b>	<b>Position</b>	<b>Term of Office</b>	<b>Salary</b>
Robert F. Zabbia 211 North Seventh Street Ponchatoula, LA 70454 (985) 386-9768	Mayor	July 1, 2004 - June 30, 2008	\$ 50,400
C.W. Kinden 248 West Hickory Street Ponchatoula, LA 70454 (985) 386-6275	City Council District A	July 1, 2004 - December 11, 2007	2,677
Braville LeBlanc 132 Braville Street Ponchatoula, LA 70454 (985) 386-0938	City Council District A	December 12, 2007 - June 30, 2008	3,333
Wayne F. Foster 245 North Barronne Street Ponchatoula, LA 70454 (985) 386-5902	City Council District B	July 1, 2004 - June 30, 2008	6,000
James W. McKnight, III 350 West Magnolia Street Ponchatoula, LA 70454 (985) 386-6779	City Council District C	July 1, 2004 - December 11, 2007	2,677
Thomas Kuhn 301 West Magnolia Street Ponchatoula, LA 70454 (985) 370-9521	City Council District C	December 12, 2007 - May 31, 2008	2,833
Jeannemarie Pierson 301 South Eighth Street Ponchatoula, LA 70454 (985) 386-6461	City Council District C	June 1, 2007 - June 30, 2008	500
Perry Graves 208 Washington Street Ponchatoula, LA 70454 (985) 386-9706	City Council District D	July 1, 2004 - June 30, 2008	6,000
Vergil J. Sandifer 485 East Cypress Street Ponchatoula, LA 70454 (985) 386-8373	City Council District E	July 1, 2004 - June 30, 2008	6,000
			\$ 80,420

See independent auditor's report.

## OTHER REPORTS



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CERTIFIED PUBLIC ACCOUNTANTS

**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements and have issued our report thereon dated November 2, 2007. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Ponchatoula, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ponchatoula, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ponchatoula, Louisiana's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ponchatoula, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ponchatoula, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Ponchatoula, Louisiana's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ponchatoula, Louisiana's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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



A Professional Accounting Corporation

November 2, 2007