

CITY OF PONCHATOULA, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

City of Ponchatoula, Louisiana
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For the Year Ended June 30, 2015

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October 1, 2015

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the City's proportionate share of the net pension liability, and the schedules of City contributions on pages 5 – 13, 56 – 57, 58 – 59, and 61 – 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The Combining and Individual Non-Major Fund Financial Statements; the Schedule of Compensation of Paid Elected Officials; and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ponchatoula, Louisiana's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs
(A Professional Corporation)

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

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

Overview of the Financial Statements

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

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

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

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

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

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

Government-Wide Financial Analysis

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

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 9,472,309	\$ 9,435,610	\$ 36,699	0.39%
Capital Assets	<u>15,406,750</u>	<u>14,533,848</u>	<u>872,902</u>	6.01%
Total Assets	<u>\$ 24,879,059</u>	<u>\$ 23,969,458</u>	<u>\$ 909,601</u>	3.79%
Deferred Outflows of Resources	<u>\$ 602,687</u>	<u>\$ -</u>	<u>\$ 602,687</u>	-
Liabilities				
Current Liabilities	\$ 445,430	\$ 450,561	\$ (5,131)	-1.14%
Long-Term Debt	374,984	349,969	25,015	7.15%
Net Pension Liability	<u>3,284,452</u>	<u>-</u>	<u>3,284,452</u>	-
Total Liabilities	<u>\$ 4,104,866</u>	<u>\$ 800,530</u>	<u>\$ 3,304,336</u>	412.77%
Deferred Inflows of Resources	<u>\$ 705,311</u>	<u>\$ -</u>	<u>\$ 705,311</u>	-
Net Position				
Net Investment in Capital Assets	\$ 15,329,083	\$ 14,475,197	\$ 853,886	5.90%
Restricted Net Position	2,239,976	1,931,026	308,950	16.00%
Unrestricted Net Position	<u>3,102,510</u>	<u>6,762,705</u>	<u>(3,660,195)</u>	-54.12%
Total Net Position	<u>\$ 20,671,569</u>	<u>\$ 23,168,928</u>	<u>\$ (2,497,359)</u>	-10.78%

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$20,671,569 (net position), an decrease of \$2,497,359 over last year. Of the total amount, \$3,102,510 is unrestricted net position. The City's net position is comprised of \$9,152,379 from governmental activities and \$11,519,190 from business-type activities, as shown on Statement A.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

By far the largest portion of the City's net position (74.16%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,102,510 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,900,518	\$ 1,757,194	\$ 143,324	8.16%
Grants and Contributions	159,344	471,136	(311,792)	-66.18%
General Revenues:				
Taxes	4,941,475	3,874,308	1,067,167	27.54%
Other	1,217,298	1,356,456	(139,158)	-10.26%
Total Revenues	8,218,635	7,459,094	759,541	10.18%
Expenses:				
Governmental Activities	6,106,839	5,524,723	582,116	10.54%
Business-Type Activities	1,209,178	1,274,746	(65,568)	-5.14%
Total Expenses	7,316,017	6,799,469	516,548	7.60%
Change in Net Position	902,618	659,625	242,993	36.84%
Net Position:				
Beginning of the Year, Original	23,168,928	22,264,275	904,653	4.06%
Prior Period Adjustment	(3,399,977)	245,028	(3,645,005)	-1487.59%
Beginning of the Year, Restated	19,768,951	22,509,303	(2,740,352)	-12.17%
End of the Year	<u>\$ 20,671,569</u>	<u>\$ 23,168,928</u>	<u>\$ (2,497,359)</u>	-10.78%

Taxes increased by \$1,067,167 as a result of sales taxes and property taxes increasing by \$1,054,501 and \$12,666, respectively. Other general revenues decreased by \$139,158. This was due to decreases in licenses, permits, and fees, intergovernmental revenues, and other revenues of \$56,510, \$81,464, and \$1,184, respectively.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Governmental Activities

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

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

<u>Governmental Expenditures</u>	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 960,808	15.73%
Public Safety	2,763,780	45.26%
Public Works	1,916,996	31.39%
Cemetery	41,590	0.68%
Culture and Recreation	286,028	4.68%
Community Development	16,608	0.27%
Public Transportation	27,974	0.46%
Miscellaneous Programs	83,370	1.37%
Debt Service Interest	9,685	0.16%
Total Governmental Activities	\$ 6,106,839	100.00%

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

<u>Governmental Revenues</u>	<u>Amount</u>	<u>Percentage</u>
Sales Taxes	\$ 4,160,739	70.43%
Property Taxes	780,736	13.22%
Licenses, Permits, and Fees	857,868	14.52%
Intergovernmental Revenues	249,947	4.23%
Miscellaneous	107,561	1.82%
Interfund Transfers	(241,761)	-4.09%
Gain / (Loss) on Disposition of Assets	(7,377)	-0.13%
Total Governmental Activities	\$ 5,907,713	100.00%

Sales taxes are the largest revenue source for the City comprising 70.43% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 13.22% of total general governmental revenue.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

For the year ended June 30, 2015, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for policemen pay, firemen pay, and to purchase equipment for both departments.

	2015 Taxes		2014 Taxes	
	Levied	Mills	Levied	Mills
General Fund	\$ 308,366	6.52	\$ 306,525	6.52
Policemen Pay Millage Fund	283,772	6.00	282,078	6.00
Firemen Pay Millage Fund	94,591	2.00	94,026	2.00
Equipment Millage Fund	94,591	2.00	94,026	2.00
Total Property Taxes Levied	\$ 781,320	16.52	\$ 776,655	16.52

Business-Type Activities

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

<u>Charges for Services</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2015	\$ 924,700	\$ 327,826
Fiscal Year Ended June 30, 2014	897,511	303,529
Increase (Decrease) Between Years	\$ 27,189	\$ 24,297

<u>Operating Expenses</u>	<u>Sewer</u>	<u>Water</u>
Fiscal Year Ended June 30, 2015	\$ 800,215	\$ 408,963
Fiscal Year Ended June 30, 2014	899,600	375,146
(Decrease) Increase Between Years	\$ (99,385)	\$ 33,817

2. FUND FINANCIAL STATEMENTS

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

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

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

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

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

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,186,625, a decrease of \$476,258 over June 30, 2014. In the General Fund, the unassigned fund balance is \$3,946,649, as shown on Statement C.

At June 30, 2015, the City had a fund balance of \$1,743,119 in the 1965 Sales Tax Fund to provide for constructing, acquiring, extending, improving, and / or maintaining drainage facilities, streets, sidewalks, public buildings; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements, and facilities; and maintaining and operating garbage collection facilities.

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

Fund Balance in the City's Major Funds:

<u>Fund Balance Date</u>	<u>General Fund</u>	<u>1965 Sales Tax Fund</u>
June 30, 2015	\$ 3,946,649	\$ 1,743,119
June 30, 2014	<u>4,731,857</u>	<u>1,459,179</u>
Change in Fund Balance	<u>\$ (785,208)</u>	<u>\$ 283,940</u>

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

- 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 statements can be found on the pages indicated in the table of contents.

4. SUPPLEMENTARY INFORMATION

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

- A. Budgetary Comparison Information – The City adopts an annual appropriated budget for its general fund, sales tax fund, and millage funds for police and fire department pay, as well as for equipment for both departments. A budgetary comparison statement has been provided for the City's major funds to demonstrate compliance, on Schedules 1 and 2.
- B. Significant variations from the general fund's original budget amounts and final budget amounts are as follows:
- Intergovernmental revenues were decreased by \$637,550 due to a decrease in expected grant revenues.
 - Public Works expenditures were decreased by \$1,325,422 due to a decrease in various expected expenditures.

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

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

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Capital Asset and Debt Administration

1. CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation, as of June 30, 2015, in its governmental activities is \$6,383,879 and in business-type activities is \$9,022,871, which totals \$15,406,750 for the City. Capital assets include land, construction in progress, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City's net capital assets for the current fiscal year was a \$1,028,198 increase for governmental activities and a \$155,296 decrease for business-type activities.

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

- A. Police fleet additions of \$151,993.
- B. Completion of water system improvements totaling \$1,327,991.
- C. Sewer system improvements \$128,511.
- D. A land purchase of \$359,355 by City Hall.
- E. Completion of a street overlay project totaling \$639,143.

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

2. LONG-TERM DEBT

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

3. CAPITAL LEASES

At the end of the current fiscal year, the City had capital leases outstanding of \$161,584. The entire amount of the leases was used to purchase new police vehicles. Additional information concerning this lease can be found in Note 9.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2016 fiscal year:

- Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing fiscal year 2015's collections, it was noted that overall receipts were \$999,253 over the budget projection. Projected collections for fiscal year 2016, including sales tax from Wal-Mart, were increased by \$662,524. The ad valorem taxes will reflect an increase due to Wal-Mart's addition to the tax roll.
- During the budget planning process, funds have been designated for certain capital outlays. Those outlays include funds for continued improvements to the City's sewer and water infrastructure.

City of Ponchatoula, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

- Also included for Capital Improvements were monies for the purchase of Wagner Property, Phase I of Hickory Street Parking, and the development of the Ponchatoula Wellness Plaza at Kiwanis Park. Also included are Phase III of the Pedestrian Sidewalk – North 5th to Wayne project and the purchase of the new Law Enforcement Complex (old Ponchatoula Homestead / First Guaranty Bank Building).

Requests for Information

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

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

City of Ponchatoula, Louisiana
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 3,451,990	\$ 2,321,751	\$ 5,773,741
Investments	2,035,558	176,374	2,211,932
Receivables, Net	940,060	139,610	1,079,670
Internal Balances	3,160	(3,160)	-
Restricted Cash and Cash Equivalents	-	90,295	90,295
Restricted Investments	-	207,894	207,894
Prepaid Equipment	108,777	-	108,777
Capital Assets, Net	6,383,879	9,022,871	15,406,750
Total Assets	\$ 12,923,424	\$ 11,955,635	\$ 24,879,059
Deferred Outflows of Resources			
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions City Contributions Subsequent to the Measurement Date	\$ 144,465 438,838	\$ 755 18,629	\$ 145,220 457,467
Total Deferred Outflows of Resources	\$ 583,303	\$ 19,384	\$ 602,687
Liabilities			
Accounts Payable	\$ 205,477	\$ -	\$ 205,477
Accrued Liabilities	147,443	8,593	156,036
Non-Current Liabilities:			
Due Within One Year	83,917	-	83,917
Due in More Than One Year	77,667	-	77,667
Payable from Restricted Assets:			
Utility Meter Deposits	-	297,317	297,317
Net Pension Liability	3,150,517	133,935	3,284,452
Total Liabilities	\$ 3,665,021	\$ 439,845	\$ 4,104,866
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 59,601 920	\$ 2,436 -	\$ 62,037 920
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	573,089	12,787	585,876
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	55,717	761	56,478
Total Deferred Inflows of Resources	\$ 689,327	\$ 15,984	\$ 705,311
Net Position			
Net Investment in Capital Assets	\$ 6,306,212	\$ 9,022,871	\$ 15,329,083
Restricted for:			
Cemetery / Mausoleum	82,904	-	82,904
Dedicated Sales Tax Usage	1,743,119	-	1,743,119
Dedicated Ad Valorem Tax Usage	413,953	-	413,953
Unrestricted	606,191	2,496,319	3,102,510
Total Net Assets	\$ 9,152,379	\$ 11,519,190	\$ 20,671,569

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

City of Ponchatoula, Louisiana
Statement of Activities
For the Year Ending June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 960,808	\$ -	\$ -	\$ -	\$ (960,808)	\$ -	\$ (960,808)
Public Safety	2,763,780	177,239	31,924	-	(2,554,617)	-	(2,554,617)
Public Works	1,916,996	470,753	-	14,000	(1,432,243)	-	(1,432,243)
Cemetery	41,590	-	-	-	(41,590)	-	(41,590)
Culture and Recreation	286,028	-	-	-	(286,028)	-	(286,028)
Community Development	16,608	-	-	-	(16,608)	-	(16,608)
Public Transportation	27,974	-	-	-	(27,974)	-	(27,974)
Miscellaneous Programs	83,370	-	-	-	(83,370)	-	(83,370)
Debt Service Interest	9,685	-	-	-	(9,685)	-	(9,685)
Total Governmental Activities	6,106,839	647,992	31,924	14,000	(5,412,923)	-	(5,412,923)
Business-Type Activities:							
Sewer	800,215	924,700	-	-	-	124,485	124,485
Water	408,963	327,826	-	113,420	-	32,283	32,283
Total Business-Type Activities	1,209,178	1,252,526	-	113,420	-	156,768	156,768
Total	\$ 7,316,017	\$ 1,900,518	\$ 31,924	\$ 127,420	(5,412,923)	156,768	(5,256,155)
General Revenues:							
Sales Taxes					4,160,739	-	4,160,739
Property Taxes					780,736	-	780,736
Licenses, Permits, and Fees					857,868	-	857,868
Intergovernmental Revenues					249,947	-	249,947
Miscellaneous					107,561	7,934	115,495
Interfund Transfers					(241,761)	241,761	-
Gain / (Loss) on Disposition of Assets					(7,377)	1,365	(6,012)
Total General Revenues					5,907,713	251,060	6,158,773
Change in Net Position					494,790	407,828	902,618
Net Position - Beginning of the Year, Originally Stated					11,915,643	11,253,285	23,168,928
Prior Period Adjustment					(3,258,054)	(141,923)	(3,399,977)
Net Position - Beginning of the Year, Restated					8,657,589	11,111,362	19,768,951
Net Position - End of the Year					\$ 9,152,379	\$ 11,519,190	\$ 20,671,569

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, 2015

Exhibit C

	<u>General Fund</u>	<u>Special Revenue Fund 1965 Sales Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 2,552,907	\$ 584,131	\$ 314,952	\$ 3,451,990
Investments	1,173,933	793,761	67,864	2,035,558
Receivables, Net				
Sales Taxes	367,616	367,616	-	735,232
Franchise Taxes	65,636	-	-	65,636
Garbage Collection Fees	70,558	-	-	70,558
Other Receivables	68,634	-	-	68,634
Prepaid Equipment	-	-	108,777	108,777
Due from Other Funds	3,160	-	5,264	8,424
Total Assets	<u>4,302,444</u>	<u>1,745,508</u>	<u>496,857</u>	<u>6,544,809</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	203,088	2,389	-	205,477
Accrued Liabilities	147,443	-	-	147,443
Due to Other Funds	5,264	-	-	5,264
Total Liabilities	355,795	2,389	-	358,184
Fund Balance:				
Nonspendable	-	-	54,936	54,936
Restricted, Reported in				
Special Revenue Funds	-	1,743,119	441,921	2,185,040
Unassigned	3,946,649	-	-	3,946,649
Total Fund Balances	<u>3,946,649</u>	<u>1,743,119</u>	<u>496,857</u>	<u>6,186,625</u>
Total Liabilities and Fund Balances	<u>\$ 4,302,444</u>	<u>\$ 1,745,508</u>	<u>\$ 496,857</u>	<u>\$ 6,544,809</u>

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

City of Ponchatoula, Louisiana
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 For the Year Ended June 30, 2015

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) **\$ 6,186,625**

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

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

Governmental Capital Assets	16,506,642
Less: Accumulated Depreciation	(10,122,763)

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

Capital Leases	(161,584)
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability:	
Municipal Employees Retirement System of Louisiana	(472,653)
Firefighters' Retirement System of Louisiana	(567,337)
Municipal Police Employees Retirement System of Louisiana	(2,110,527)

Deferred Outflows of Resources:	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	144,465
City Contributions Subsequent to the Measurement Date	438,838

Deferred Inflows of Resources:	
Differences Between Expected and Actual Experience	(59,601)
Changes of Assumptions	(920)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(573,089)
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>(55,717)</u>

Net Position of Governmental Activities (Exhibit A) **\$ 9,152,379**

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

City of Ponchatoula, Louisiana
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	General Fund	Special Revenue Fund 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales Taxes	\$ 2,080,370	\$ 2,080,369	\$ -	\$ 4,160,739
Property Taxes	308,582	-	472,154	780,736
Intergovernmental Revenue	295,871	-	-	295,871
Licenses and Permits	577,279	-	-	577,279
Sanitation Service Fees	470,753	-	-	470,753
Franchise Fees	280,589	-	-	280,589
Fines and Forfeitures	177,239	-	-	177,239
Other Revenues	90,257	-	-	90,257
Interest Income	11,464	5,353	487	17,304
Total Revenues	4,292,404	2,085,722	472,641	6,850,767
Expenditures:				
Current:				
General Government	1,014,345	13,482	-	1,027,827
Public Safety	2,761,220	-	8,340	2,769,560
Public Works	2,927,758	-	-	2,927,758
Cemetery	28,790	-	12,800	41,590
Culture and Recreation	276,054	-	-	276,054
Community Development	5,922	-	-	5,922
Public Transportation	27,974	-	-	27,974
Miscellaneous Programs	83,011	-	-	83,011
Debt Service	54,672	-	48,768	103,440
Total Expenditures	7,179,746	13,482	69,908	7,263,136
Excess (Deficiency) of Revenues Over Expenditures	(2,887,342)	2,072,240	402,733	(412,369)
Other Financing Sources (Uses):				
Transfers In	2,166,023	-	-	2,166,023
Transfers Out	(241,761)	(1,788,300)	(377,723)	(2,407,784)
Proceeds from Capital Leases	152,418	-	-	152,418
Sale of Capital Assets	25,454	-	-	25,454
Total Other Financing Sources (Uses)	2,102,134	(1,788,300)	(377,723)	(63,889)
Change in Fund Balances	(785,208)	283,940	25,010	(476,258)
Fund Balances:				
Beginning of the Year	4,731,857	1,459,179	471,847	6,662,883
End of the Year	\$ 3,946,649	\$ 1,743,119	\$ 496,857	\$ 6,186,625

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

City of Ponchatoula, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit F

Net Change in Fund Balances - Total Governmental Funds (Exhibit D) \$ (476,258)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged in the current period exceeded capital outlay. 1,061,029

Losses on the disposal of assets reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (32,831)

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities. 1,513

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

Issuance of Long-Term Debt	(152,418)
Payment of Long-Term Debt	<u>93,755</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ 494,790

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

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2015 and 2014

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,966,403	\$ 355,348	\$ 2,321,751	\$ 2,154,133
Investments	75,980	100,394	176,374	173,210
Accounts Receivable, Net	101,861	37,749	139,610	100,971
Due from Other Funds	-	1,105	1,105	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	2,144,244	494,596	2,638,840	2,428,314
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents:				
Water Fund - Meter Deposits	-	90,295	90,295	127,094
Investments:				
Water Fund - Meter Deposits	-	207,894	207,894	207,834
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Assets	-	298,189	298,189	334,928
Capital Assets:				
Property, Plant, and Equipment, at Cost	9,307,128	5,411,203	14,718,331	14,525,684
Less: Accumulated Depreciation	(4,235,673)	(1,684,550)	(5,920,223)	(5,572,280)
Land	3,170	221,593	224,763	224,763
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	5,074,625	3,948,246	9,022,871	9,178,167
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	7,218,869	4,741,031	11,959,900	11,941,409
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred Outflows of Resources				
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	561	194	755	-
City Contributions Subsequent to the Measurement Date	13,837	4,792	18,629	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	\$ 14,398	\$ 4,986	\$ 19,384	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>

(Continued)

City of Ponchatoula, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2015 and 2014

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Liabilities:				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ -	\$ -	\$ -	\$ 85,697
Accrued Liabilities	8,357	236	8,593	19,799
Due to Other Funds	4,265	-	4,265	291,310
Total Current Liabilities (Payable from Current Assets)	12,622	236	12,858	396,806
Current Liabilities (Payable from Restricted Assets):				
Member Deposits	-	297,317	297,317	291,318
Total Current Liabilities (Payable from Restricted Assets)	-	297,317	297,317	291,318
Net Pension Liability	99,481	34,454	133,935	-
Total Liabilities	112,103	332,007	444,110	688,124
Deferred Inflows of Resources				
Differences Between Expected and Actual Experience	1,809	627	2,436	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9,498	3,289	12,787	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	565	196	761	-
Total Deferred Inflows of Resources	11,872	4,112	15,984	-
Net Position				
Net Investment in Capital Assets Unrestricted	5,074,625	3,948,246	9,022,871	9,178,167
	2,034,667	461,652	2,496,319	2,075,118
Total Net Position	\$ 7,109,292	\$ 4,409,898	\$ 11,519,190	\$ 11,253,285

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

City of Ponchatoula, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Years Ended June 30, 2015 and 2014

Exhibit H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Operating Revenues:				
Charges for Services	\$ 924,700	\$ 327,826	\$ 1,252,526	\$ 1,201,040
Total Operating Revenues	<u>924,700</u>	<u>327,826</u>	<u>1,252,526</u>	<u>1,201,040</u>
Operating Expenses:				
Depreciation and Amortization	255,291	111,854	367,145	357,531
Salaries and Employee Benefits	198,641	69,478	268,119	273,695
Repairs and Maintenance	150,869	93,829	244,698	301,769
Utilities and Telephone	100,873	56,936	157,809	167,842
Supplies	29,765	40,772	70,537	53,466
Professional Fees	32,973	12,888	45,861	66,581
Environmental Testing	18,901	7,914	26,815	24,920
Insurance	10,306	13,537	23,843	26,241
Bad Debt Adjustment	-	-	-	-
Vehicle Expense	1,607	1,069	2,676	1,338
Miscellaneous	989	686	1,675	1,363
Total Operating Expenses	<u>800,215</u>	<u>408,963</u>	<u>1,209,178</u>	<u>1,274,746</u>
Operating Income (Loss)	124,485	(81,137)	43,348	(73,706)
Non-Operating Revenues (Expenses):				
Investment Income	2,521	5,413	7,934	4,529
Capital Grants	-	113,420	113,420	404,597
Transfers In / Out	-	241,761	241,761	359
Gain on Disposal of Assets	-	1,365	1,365	-
Total Non-Operating Revenues Revenues (Expenses)	2,521	361,959	364,480	409,485
Change in Net Position	127,006	280,822	407,828	335,779
Net Position:				
Beginning of the Year:				
Originally Stated	7,087,700	4,165,585	11,253,285	10,917,506
Prior Period Adjustment	(105,414)	(36,509)	(141,923)	-
Restated	<u>6,982,286</u>	<u>4,129,076</u>	<u>11,111,362</u>	<u>10,917,506</u>
End of the Year	<u>\$ 7,109,292</u>	<u>\$ 4,409,898</u>	<u>\$ 11,519,190</u>	<u>\$ 11,253,285</u>

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

City of Ponchatoula, Louisiana
Statements of Cash Flows – Proprietary Funds
For the Years Ended June 30, 2015 and 2014

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 896,420	\$ 323,466	\$ 1,219,886	\$ 1,219,866
Payments to Suppliers	(374,399)	(285,212)	(659,611)	(567,760)
Payments to Employees	(209,100)	(81,613)	(290,713)	(262,178)
Net Cash Provided by (Used in) Operating Activities	312,921	(43,359)	269,562	389,928
Cash Flows From Noncapital Financing Activities:				
Interfund Transfers and Borrowings	(46,739)	350	(46,389)	288,873
Net Cash Provided by (Used in) Noncapital Financing Activities	(46,739)	350	(46,389)	288,873
Cash Flows From Capital and Related Financing Activities:				
Construction of Capital Assets	(128,512)	(83,337)	(211,849)	(1,132,821)
Proceeds from Sale of Assets	-	1,365	1,365	-
Capital Grants	-	113,420	113,420	1,294,604
Net Cash Provided by (Used in) Capital and Related Financing Activities	(128,512)	31,448	(97,064)	161,783
Cash Flows From Investing Activities:				
Interest Earned on Investments	2,521	5,413	7,934	4,529
Sale (Purchase) of Investments, Net	(22)	(3,202)	(3,224)	(83)
Net Cash Provided by (Used in) Investing Activities	2,499	2,211	4,710	4,446
Net Increase (Decrease) in Cash	140,169	(9,350)	130,819	845,030
Cash and Cash Equivalents - Beginning of the Year	1,826,234	454,993	2,281,227	1,436,197
Cash and Cash Equivalents - End of the Year	\$ 1,966,403	\$ 445,643	\$ 2,412,046	\$ 2,281,227
Reconciliation of Cash Accounts:				
Unrestricted Cash and Cash Equivalents	\$ 1,966,403	\$ 355,348	\$ 2,321,751	\$ 2,154,133
Restricted Cash and Cash Equivalents	-	90,295	90,295	127,094
Cash and Cash Equivalents - End of the Year	\$ 1,966,403	\$ 445,643	\$ 2,412,046	\$ 2,281,227

City of Ponchatoula, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2015 and 2014

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
	Reconciliation of Operating Income (Loss) to Net Cash Provided			
(Used) by Operating Activities:				
Operating Income (Loss)	\$ 124,485	\$ (81,137)	\$ 43,348	\$ (73,706)
Adjustments to Reconcile Operating Loss to Net Cash Provided				
(Used) in Operating Activities:				
Depreciation and Amortization	255,291	111,854	367,145	357,531
Pension Expense Adjustments for Net Pension Liability Calculation	(8,459)	(2,929)	(11,388)	-
Provision for Bad Debts	-	-	-	(43,036)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable, Net	(28,280)	(10,359)	(38,639)	53,843
Increase (Decrease) in Accounts Payable	(28,116)	(57,581)	(85,697)	75,760
Increase (Decrease) in Accrued Liabilities	(2,000)	(9,206)	(11,206)	11,517
Increase (Decrease) in Meter Deposits	-	5,999	5,999	8,019
Net Cash Provided By (Used In) Operating Activities	\$ 312,921	\$ (43,359)	\$ 269,562	\$ 389,928
Supplemental Disclosure of Cash Flow Information:				
Interest Paid	\$ -	\$ -	\$ -	\$ -

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

Notes to the Financial Statements

City of Ponchatoula, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2015

Narrative Profile

The City of Ponchatoula, Louisiana (the “City”) was first incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected 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 2010, is 6,559. The City currently serves approximately 2,800 commercial and residential utility customers. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer utilities. The City presently maintains approximately 44 miles of roads and streets.

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Basic Financial Statements – Government-Wide Financial Statements

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

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

C. Basic Financial Statements – Fund Financial Statements

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

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

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

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditure for specified purposes. The 1965 Sales Tax Fund is considered to be a major fund. The

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Firemen Pay Millage Fund, Policemen Pay Millage Fund, Equipment Millage Fund, and Mausoleum Trust Fund are considered to be non-major funds.

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

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

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

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

D. Basis of Accounting

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

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

E. Budgets and Budgetary Accounting

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

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

- The Mayor, with the assistance of the Finance Manager, prepares a proposed budget and submits this budget to the City Council no later than fifteen days prior to the beginning of each fiscal year.
- A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2015, was published timely in the official journal of the City.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2015 on June 9, 2014.
- 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, 2015, was adopted on June 9, 2014.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the City Council. The budget for the year ended June 30, 2015, was amended on June 8, 2015.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General Fund and 1965 Sales Tax Fund present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

F. Cash, Cash Equivalents, and Investments

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

G. Short-Term Interfund Receivables / Payables

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

H. Allowance for Uncollectible Accounts

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

I. Inventory

The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2015, as the amount is immaterial.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements, to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2015, was immaterial.

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

K. Long-Term Obligations

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

L. Compensated Absences

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

M. Pension Plans

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

N. Net Position

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

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

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

O. Fund Balance

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

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

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

P. Interfund Transactions

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

Q. Sales and Use Taxes

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

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

R. Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at year-end. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting. The City did not

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

comply with the Local Budget Act in adopting and amending its budget for the year ended June 30, 2015, as actual expenditures in General Fund exceeded budgeted expenditures by more than the 5% allowed by State law.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2015, no City funds had deficit fund balances.

3. Cash and Cash Equivalents

At June 30, 2015, the City had \$5,864,036 (book balance) in interest-bearing demand deposits as follows:

	Statement of Net Position
Cash and Cash Equivalents	\$ 5,773,741
Restricted Cash and Cash Equivalents	90,295
Total Interest-Bearing Deposits	\$ 5,864,036

These deposits are stated at cost, which approximates market.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$5,756,151 of the City’s bank balance of \$6,006,151 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the City and the fiscal agent bank.

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

4. Investments

At June 30, 2015, the City had investments which include \$2,010,728 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$409,098 in other securities.

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

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

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

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

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

Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 60 days as of June 2015.

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

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

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

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

Credit Risk

<u>Investment</u>	<u>Rating</u>	<u>Percentage</u>
LAMP	AAA/Aaa/AAA	83.17%
Fannie Mae (FNMA) Notes	AAAm	16.83%

The City does not have a formal investment policy regarding investment credit risk.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Concentration of Credit Risk

The City has no formal limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in Fannie Mae Notes. These investments represent 16.83% of the City's total investments.

Interest Rate Risk

Investment	Maturity	Fair Value
FNMA Notes	08/29/19	\$ 306,384
FNMA Notes	10/04/19	100,394
Total		\$ 406,778

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.

5. Accounts Receivable

Accounts receivable as of June 30, 2015 consist of the following:

	Governmental Funds		Proprietary Funds	
	General Fund	1965 Sales Tax Fund	Sewer	Water
Utility Receivable	\$ 96,185	\$ -	\$ 134,455	\$ 38,678
Less: Allowance for Doubtful Accounts	(25,627)	-	(32,594)	(929)
Utility Receivable, Net	70,558	-	101,861	37,749
Sales Tax Receivable	367,616	367,616	-	-
Other Receivables	134,270	-	-	-
Total Receivables, Net	\$ 572,444	\$ 367,616	\$ 101,861	\$ 37,749

6. Capital Assets

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

The following is a summary of changes in capital assets for the governmental activities for the fiscal year ended June 30, 2015.

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets:				
Building Official	\$ 28,494	\$ -	\$ -	\$ 28,494
City Hall	1,177,963	88,572	-	1,266,535
Civil Defense	16,890	-	-	16,890
Community Center	1,296,596	-	-	1,296,596
Executive (Mayor)	16,814	-	-	16,814
Fire	453,707	-	-	453,707
Industrial Park	565,059	-	-	565,059
Judicial	39,044	-	-	39,044
Main Street Program	1,275	-	-	1,275
Miscellaneous Programs	132,759	2,524	-	135,283
Parks	471,931	59,847	-	531,778
Police	1,000,212	158,477	(140,286)	1,018,403
Public Works	110,941	-	-	110,941
Building - Sanitation	75,968	-	-	75,968
Streets and Roadways	1,898,410	326,993	-	2,225,403
Infrastructure	7,675,726	1,048,726	-	8,724,452
Total Capital Assets	14,961,789	1,685,139	(140,286)	16,506,642
Less: Accumulated Depreciation:				
Building Official	21,901	5,832	-	27,733
City Hall	658,956	36,977	-	695,933
Civil Defense	16,672	109	-	16,781
Community Center	933,234	46,062	-	979,296
Executive (Mayor)	6,589	1,989	-	8,578
Fire	258,918	12,855	-	271,773
Industrial Park	222,883	10,686	-	233,569
Judicial	36,135	1,006	-	37,141
Main Street Program	1,275	-	-	1,275
Miscellaneous Programs	45,170	2,883	-	48,053
Parks	287,582	25,653	-	313,235
Police	712,934	102,583	(107,455)	708,062
Public Works	51,290	4,324	-	55,614
Building - Sanitation	25,164	1,899	-	27,063
Streets and Roadways	848,284	81,574	-	929,858
Infrastructure	5,479,121	289,678	-	5,768,799
Total Accumulated Depreciation	9,606,108	624,110	(107,455)	10,122,763
Total Governmental Capital Assets, Net	\$ 5,355,681	\$ 1,061,029	\$ (32,831)	\$ 6,383,879

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Depreciation was charged to governmental functions as follows:

General Government	\$ 45,913
Public Safety	115,438
Public Works	377,475
Culture and Recreation	71,715
Community Development	10,686
Miscellaneous Programs	2,883
Total	<u>\$ 624,110</u>

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2015.

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 224,763	\$ -	\$ -	\$ 224,763
Construction in Progress	1,324,061	-	(1,324,061)	-
Total Capital Assets Not Being Depreciated	1,548,824	-	(1,324,061)	224,763
Other Capital Assets:				
Sewer Utility	6,632,741	128,511	-	6,761,252
Wastewater Treatment	2,545,876	-	-	2,545,876
Water Administration	3,671,015	1,384,076	-	5,055,091
Water Utility	351,991	23,323	(19,202)	356,112
Total Other Capital Assets	13,201,623	1,535,910	(19,202)	14,718,331
Less: Accumulated Depreciation:				
Sewer Utility	2,563,072	205,590	-	2,768,662
Wastewater Treatment	1,417,310	49,701	-	1,467,011
Water Administration	1,468,601	95,254	-	1,563,855
Water Utility	123,297	16,600	(19,202)	120,695
Total Accumulated Depreciation	5,572,280	367,145	(19,202)	5,920,223
Total Other Capital Assets, Net	7,629,343	1,168,765	-	8,798,108
Total Business-Type Capital Assets, Net	<u>\$ 9,178,167</u>	<u>\$ 1,168,765</u>	<u>\$ (1,324,061)</u>	<u>\$ 9,022,871</u>

7. Employee Pension Plans

A. Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 5.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 9.50% of annual payroll. Contributions to the System from the City were \$84,371 for the year ended June 30, 2015.

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

At June 30, 2015, the City reported a liability of \$606,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 1.291998%, which was a decrease of 0.008367% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$32,793. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 11,031
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	57,911
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	3,418	3,448
City Contributions Subsequent to the Measurement Date	84,371	-
	\$ 87,789	\$ 72,390

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

\$84,371 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:		
June 30, 2016	\$	(19,304)
June 30, 2017		(19,304)
June 30, 2018		(14,478)
June 30, 2019		-
June 30, 2020		-
Thereafter		-

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75% (3.00% Inflation, 2.75% Merit)
Investment Rate of Return	7.75%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2014 valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2006 to June 30, 2010.

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.75%
Public Fixed Income	15.00%	0.83%
Alternatives	35.00%	1.92%
Total	100.00%	5.50%
Inflation		2.80%
Expected Arithmetic Nominal Return		8.30%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
City's Proportionate Share of the Net Pension Liability	\$ 887,281	\$ 606,588	\$ 366,890

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

Payables to the Pension Plan – As of June 30, 2015, the City did not have any payables due to the System.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

B. Firefighters' Retirement System of Louisiana

General Information about the Pension Plan

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

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

Contributions – Per Act 434 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 29.25% of annual payroll. Contributions to the Fire System from the City were \$75,377 for the year ended June 30, 2015.

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

At June 30, 2015, the City reported a liability of \$567,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 0.127494%, which was a decrease of 0.002839% from its proportion measured as of June 30, 2013.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

For the year ended June 30, 2015, the City recognized pension expense of \$42,073. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences Between Expected and Actual Experience	\$ -	\$ 13,887
Changes of Assumptions	-	349
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	50,356
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	12,817
City Contributions Subsequent to the Measurement Date	75,377	-
	<u>\$ 75,377</u>	<u>\$ 77,409</u>

\$75,377 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
June 30, 2016	\$ (17,066)
June 30, 2017	(17,066)
June 30, 2018	(17,066)
June 30, 2019	(4,477)
June 30, 2020	(4,473)
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Vary from 15.0% in the first two years of service to 5.5% after 14 years
Investment Rate of Return	7.5%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006 to June 30, 2010.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	24.00%	1.93%
Equity	51.00%	5.31%
Alternatives	15.00%	5.70%
Other	10.00%	3.81%
Total	100.00%	4.69%
Inflation		3.25%
Expected Arithmetic Nominal Return		7.94%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Board of Trustees and PRSAC taking into consideration the recommendation of the Fire System’s actuary. Based on those assumptions, the Fire System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability	\$ 834,075	\$ 567,337	\$ 342,561

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

Payables to the Pension Plan – As of June 30, 2015, the City did not have any payables due to the System.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

C. Municipal Police Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

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

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

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

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

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 31.50% of annual payroll. Contributions to the Police System from the City were \$297,719 for the year ended June 30, 2015.

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

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

At June 30, 2015, the City reported a liability of \$2,110,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 0.337356%, which was an increase of 0.023668% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$369,699. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 37,119
Changes of Assumptions	-	571
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	477,609
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	141,802	40,213
City Contributions Subsequent to the Measurement Date	297,719	-
	<u>\$ 439,521</u>	<u>\$ 555,512</u>

\$297,719 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
June 30, 2016	\$ (84,696)
June 30, 2017	(84,696)
June 30, 2018	(119,403)
June 30, 2019	-
June 30, 2020	-
Thereafter	-

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases, Including Inflation & Merit	<u>Service Years</u>	<u>Growth Rate</u>
	1	10.00%
	2	6.00%
	3 - 19	4.30%
	20 - 29	5.50%
	30 & Over	4.00%
Investment Rate of Return	7.5%, Net of Investment Expense	

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the assumptions used in the June 30, 2014 actuarial funding valuation, and were initially designed to match, to the extent possible, those used by the prior actuary for the fiscal 2010 valuation. Adjustments to some non-mortality decrements were necessary due to differences in software design.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	52.00%	5.43%
Fixed Income	20.00%	2.35%
Alternatives	23.00%	4.51%
Other	5.00%	4.07%
Total	<u>100.00%</u>	<u>4.82%</u>
Inflation		3.25%
Expected Arithmetic Nominal Return		8.07%

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the Police System’s actuary. Based on those assumptions, the Police System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability	\$ 3,047,239	\$ 2,110,527	\$ 1,323,774

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

Payables to the Pension Plan – As of June 30, 2015, the City did not have any payables due to the System.

8. Compensated Absences

At June 30, 2015, employees of the City have accumulated and vested \$75,927 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$67,334 is recorded as an obligation of the General Fund and \$8,593 is recorded in the Enterprise Funds. These amounts were included in accrued liabilities on the accompanying financial statements.

9. Long-Term Debt and Capital Lease Obligations

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

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Governmental Activities

As of June 30, 2015, the governmental long-term debt of the City consisted of the following:

\$136,405 capital lease payable to Ford Motor Credit dated October 29, 2013, due in 12 quarterly installments of \$12,192 through July 29, 2016, with an interest rate of 5.20%.	\$ 58,651
\$152,418 capital lease payable to Ford Motor Credit dated October 17, 2014, due in 12 quarterly installments of \$13,688 through July 17, 2017, with an interest rate of 5.45%.	102,933
Total	\$ 161,584

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Debt Payable 06/30/14	Increase in Debt	Debt Retired	Debt Payable 06/30/15
Capital Lease - 2013	\$ 102,921	\$ -	\$ 44,270	\$ 58,651
Capital Lease - 2014	-	152,418	49,485	102,933
Total	\$ 102,921	\$ 152,418	\$ 93,755	\$ 161,584

The annual requirements to amortize outstanding debt at June 30, 2015, are as follows:

	Governmental Activities		Total	
	Capital Lease		Total	
	Principal	Interest	Principal	Interest
06/30/16	\$ 83,917	\$ 5,855	\$ 83,917	\$ 5,855
06/30/17	64,184	2,680	64,184	2,680
06/30/18	13,483	185	13,483	185
Total	\$ 161,584	\$ 8,720	\$ 161,584	\$ 8,720

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

10. Interfund Receivables / Payables

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2015, were as follows:

	Due From	Due To
General Fund:		
Firemen Pay Millage Fund	\$ -	\$ 853
Policemen Pay Millage Fund	-	3,558
Equipment Millage Fund	-	853
Sewer Enterprise Fund	4,265	-
Water Enterprise Fund	-	1,105
Firemen Pay Millage Fund:		
General Fund	853	-
Policemen Pay Millage Fund:		
General Fund	3,558	-
Equipment Millage Fund:		
General Fund	853	-
Sewer Enterprise Fund:		
General Fund	-	4,265
Water Enterprise Fund:		
General Fund	1,105	-
Total All Funds	\$ 10,634	\$ 10,634

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

11. Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the special revenue 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, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,166,023	\$ 241,761
Enterprise Funds:		
Water Fund	241,761	-
Special Revenue Funds:		
1965 Sales Tax Fund	-	1,788,300
Firemen Pay Millage Fund	-	94,431
Policemen Pay Millage Fund	-	283,292
Total All Funds	<u>\$ 2,407,784</u>	<u>\$ 2,407,784</u>

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

The balances of the reserved, restricted, and nonspendable fund balance / net position accounts of the City as of June 30, 2015, were as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 54,936
Restricted for Mausoleum	27,968
Restricted for Dedicated Sales Tax Usage	1,743,119
Restricted for Firemen Pay	6,463
Restricted for Policemen Pay	24,658
Restricted for Safety Equipment	<u>382,832</u>
Total	<u>\$ 2,239,976</u>

13. Ad Valorem Taxes

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the Tangipahoa Parish Assessor on all property subject to taxation by the City except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the 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, as follows:

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Levy Date	July 14, 2014
Millage Rates Adopted	July 14, 2014
Tax Bills Mailed	November 14, 2014
Due Date	December 31, 2014
Lien Date	January 1, 2015

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

If taxes are not paid by the due date, taxes bear interest at the rate of 1¼% per month until the taxes are paid (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 recognized as revenues in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as revenue in the current calendar year. Uncollectible taxes are those taxes which, based on past experience, will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

All of the net taxes receivable at the end of the year are considered available. Available means due or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Property taxes are considered 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, 2015, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$47,295,397 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund	6.52	6.52	\$ 308,366	-
Policemen Pay Millage Fund	6.00	6.00	283,772	2020
Firemen Pay Millage Fund	2.00	2.00	94,591	2020
Equipment Millage Fund	2.00	2.00	94,591	2020
Totals	<u>16.52</u>	<u>16.52</u>	<u>\$ 781,320</u>	

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

14. On-Behalf Payments for Salaries and Benefits

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

Supplemental salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure

City of Ponchatoula, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

payments is the actual state contribution. For fiscal year 2015, the state paid supplemental salaries to the fire and police employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions for these on-behalf payments.

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

	State Supplemental Salaries
Firemen Supplemental Pay	\$ 34,267
Policemen Supplemental Pay	120,226
Total On-Behalf Payments	\$ 154,493

15. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the City carried insurance through various commercial carriers to cover all risks of loss. The City had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

16. Prior Period Adjustments

A summary of prior period adjustments made to beginning net position are as follows:

	Governmental Activities	Business-Type Activities - Enterprise Funds	
		Sewer Fund	Water Fund
Beginning Net Position, Originally Stated	\$ 11,915,643	\$ 7,087,700	\$ 4,165,585
To Adjust Prior Year Balances	(3,258,054)	(105,414)	(36,509)
Beginning Net Position, Restated	<u>\$ 8,657,589</u>	<u>\$ 6,982,286</u>	<u>\$ 4,129,076</u>

The prior period adjustments were made to adjust beginning net position as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*.

Required Supplementary Information (Part II)

City of Ponchatoula, Louisiana
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Sales Taxes	\$ 1,800,000	\$ 2,050,200	\$ 2,080,370	\$ 30,170
Property Taxes	307,845	308,700	308,582	(118)
Intergovernmental Revenue	982,250	344,700	295,871	(48,829)
Licenses and Permits	590,000	613,400	577,279	(36,121)
Sanitation Service Fees	432,000	459,900	470,753	10,853
Franchise Fees	263,500	283,500	280,589	(2,911)
Fines and Forfeitures	139,600	198,900	177,239	(21,661)
Other Revenues	84,250	100,200	90,257	(9,943)
Interest Income	9,700	7,950	11,464	3,514
Total Revenues	4,609,145	4,367,450	4,292,404	(75,046)
Expenditures:				
Current:				
General Government	1,429,620	981,141	1,014,345	(33,204)
Public Safety	2,854,215	2,610,300	2,761,220	(150,920)
Public Works	3,374,640	2,049,218	2,914,431	(865,213)
Cemetery	37,350	28,300	28,790	(490)
Culture and Recreation	270,470	205,700	276,054	(70,354)
Community Development	8,530	5,600	5,922	(322)
Public Transportation	-	27,600	27,974	(374)
Miscellaneous Programs	91,600	35,819	96,338	(60,519)
Debt Service	54,700	54,700	54,672	28
Total Expenditures	8,121,125	5,998,378	7,179,746	(1,181,368)
Excess (Deficiency) of Revenues over Expenditures	(3,511,980)	(1,630,928)	(2,887,342)	(1,256,414)
Other Financing Sources (Uses):				
Transfers In	2,166,024	2,166,000	2,166,023	23
Transfers Out	-	-	(241,761)	(241,761)
Proceeds from Capital Leases	-	-	152,418	152,418
Sale of Capital Assets	10,000	26,800	25,454	(1,346)
Total Other Financing Sources (Uses)	2,176,024	2,192,800	2,102,134	(90,666)
Change in Fund Balance	(1,335,956)	561,872	(785,208)	(1,347,080)
Fund Balance:				
Beginning of the Year	4,702,098	4,731,857	4,731,857	-
End of the Year	\$ 3,366,142	\$ 5,293,729	\$ 3,946,649	\$ (1,347,080)

See independent auditor's report.

City of Ponchatoula, Louisiana
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – 1965 Sales Tax Fund
For the Year Ended June 30, 2015

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Sales Tax	\$ 1,800,000	\$ 2,050,200	\$ 2,080,369	\$ 30,169
Investment Interest	2,500	2,450	5,353	2,903
Total Revenues	1,802,500	2,052,650	2,085,722	33,072
Expenditures:				
General Government:				
Collection Fees	11,700	13,300	13,482	(182)
Total Expenditures	11,700	13,300	13,482	(182)
Excess of Revenues over Expenditures	1,790,800	2,039,350	2,072,240	32,890
Other Financing Sources (Uses):				
Operating Transfers Out	(1,788,300)	(1,788,300)	(1,788,300)	-
Total Other Financing Sources (Uses)	(1,788,300)	(1,788,300)	(1,788,300)	-
Change in Fund Balance	2,500	251,050	283,940	32,890
Fund Balance:				
Beginning of the Year	1,203,686	1,459,179	1,459,179	-
End of the Year	\$ 1,206,186	\$ 1,710,229	\$ 1,743,119	\$ 32,890

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City's Proportionate Share of the Net Pension Liability –
 Municipal Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 3-A

	* Last 2 Fiscal Years Ending June 30	
	2015	2014
City's Proportion of the Net Pension Liability	1.291998%	1.300365%
City's Proportionate Share of the Net Pension Liability	\$ 606,588	\$ 714,496
City's Covered-Employee Payroll	\$ 887,215	\$ 871,855
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	68.37%	81.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.94%	71.92%

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

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City's Proportionate Share of the Net Pension Liability –
 Firefighters' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 3-B

	* Last 2 Fiscal Years	
	Ending June 30	
	2015	2014
City's Proportion of the Net Pension Liability	0.127494%	0.130333%
City's Proportionate Share of the Net Pension Liability	\$ 567,337	\$ 676,062
City's Covered-Employee Payroll	\$ 257,701	\$ 258,987
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	220.15%	261.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.02%	70.73%

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

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of the City's Proportionate Share of the Net Pension Liability –
 Municipal Police Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 3-C

	* Last 2 Fiscal Years	
	Ending June 30	
	2015	2014
City's Proportion of the Net Pension Liability	0.337356%	0.313688%
City's Proportionate Share of the Net Pension Liability	\$ 2,110,527	\$ 2,505,875
City's Covered-Employee Payroll	\$ 945,142	\$ 868,489
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	223.30%	288.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.10%	66.71%

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

See independent auditor's report.

City of Ponchatoula, Louisiana
Schedule of the City Contribution –
Municipal Employees' Retirement System of Louisiana
For the Year Ended June 30, 2015

Schedule 4-A

	Last 2 Fiscal Years Ending June 30	
	2015	2014
Contractually Required Contribution	\$ 84,371	\$ 76,286
Contributions in Relation to the Contractually Required Contribution	(84,371)	(76,286)
Contribution Deficiency / (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 887,215	\$ 871,855
Contributions as a Percentage of Covered-Employee Payroll	9.51%	8.75%

See independent auditor's report.

City of Ponchatoula, Louisiana
Schedule of the City Contribution –
Firefighters' Retirement System of Louisiana
For the Year Ended June 30, 2015

Schedule 4-B

	Last 2 Fiscal Years Ending June 30	
	2015	2014
Contractually Required Contribution	\$ 75,377	\$ 73,164
Contributions in Relation to the Contractually Required Contribution	(75,377)	(73,164)
Contribution Deficiency / (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 257,701	\$ 258,987
Contributions as a Percentage of Covered-Employee Payroll	29.25%	28.25%

See independent auditor's report.

City of Ponchatoula, Louisiana
Schedule of the City Contribution –
Municipal Police Employees’ Retirement System of Louisiana
For the Year Ended June 30, 2015

Schedule 4-C

	Last 2 Fiscal Years Ending June 30	
	2015	2014
Contractually Required Contribution	\$ 297,719	\$ 269,748
Contributions in Relation to the Contractually Required Contribution	(297,719)	(269,748)
Contribution Deficiency / (Excess)	\$ -	\$ -
City's Covered-Employee Payroll	\$ 945,142	\$ 868,489
Contributions as a Percentage of Covered-Employee Payroll	31.50%	31.06%

See independent auditor’s report.

Other Supplementary Information

City of Ponchatoula, Louisiana
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2015

Schedule 5

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Assets						
Cash	\$ 66	\$ 5,610	\$ 21,100	\$ 273,202	\$ 14,974	\$ 314,952
Investments	27,902	-	-	-	39,962	67,864
Prepaid Equipment	-	-	-	108,777	-	108,777
Due from Other Funds	-	853	3,558	853	-	5,264
Total Assets	<u>\$ 27,968</u>	<u>\$ 6,463</u>	<u>\$ 24,658</u>	<u>\$ 382,832</u>	<u>\$ 54,936</u>	<u>\$ 496,857</u>
Liabilities & Fund Balance						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	54,936	54,936
Restricted	27,968	6,463	24,658	382,832	-	441,921
Total Fund Balances	<u>27,968</u>	<u>6,463</u>	<u>24,658</u>	<u>382,832</u>	<u>54,936</u>	<u>496,857</u>
Total Liabilities & Fund Balances	<u>\$ 27,968</u>	<u>\$ 6,463</u>	<u>\$ 24,658</u>	<u>\$ 382,832</u>	<u>\$ 54,936</u>	<u>\$ 496,857</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance – Non-Major Governmental Funds
For the Year Ended June 30, 2015

Schedule 6

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Revenues:						
Ad Valorem Taxes	\$ -	\$ 94,431	\$ 283,292	\$ 94,431	\$ -	\$ 472,154
Investment Interest	12	7	26	413	29	487
Total Revenues	<u>12</u>	<u>94,438</u>	<u>283,318</u>	<u>94,844</u>	<u>29</u>	<u>472,641</u>
Expenditures:						
Public Safety	-	-	-	8,340	-	8,340
Cemetery	12,800	-	-	-	-	12,800
Debt Service	-	-	-	48,768	-	48,768
Total Expenditures	<u>12,800</u>	<u>-</u>	<u>-</u>	<u>57,108</u>	<u>-</u>	<u>69,908</u>
Excess (Deficiency) of Revenues over Expenditures	(12,788)	94,438	283,318	37,736	29	402,733
Other Financing Sources (Uses):						
Transfers Out	-	(94,431)	(283,292)	-	-	(377,723)
Total Other Sources (Uses)	<u>-</u>	<u>(94,431)</u>	<u>(283,292)</u>	<u>-</u>	<u>-</u>	<u>(377,723)</u>
Change in Fund Balances	(12,788)	7	26	37,736	29	25,010
Fund Balances:						
Beginning of the Year	40,756	6,456	24,632	345,096	54,907	471,847
End of the Year	<u>\$ 27,968</u>	<u>\$ 6,463</u>	<u>\$ 24,658</u>	<u>\$ 382,832</u>	<u>\$ 54,936</u>	<u>\$ 496,857</u>

See independent auditor's report.

City of Ponchatoula, Louisiana
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2015

Schedule 7

<u>Name & Title</u>	<u>Address</u>	<u>Term of Office</u>	<u>Amount</u>
Robert F. Zabbia Mayor	211 North Seventh Street Ponchatoula, LA 70454 (985) 386-9892	July 1, 2012 - June 30, 2016	\$ 82,501 *
Bry Layrisson Chief of Police	15 Weldon Circle Ponchatoula, LA 70454 (985) 386-5294	July 1, 2012 - June 30, 2016	78,899 **
Braville LeBlanc City Council, District A	132 Braville Street Ponchatoula, LA 70454 (985) 386-0938	July 1, 2012 - June 30, 2016	9,600
Debra Hills City Council, District B	208 Methvin Drive Ponchatoula, LA 70444 (985) 634-1000	July 1, 2012 - June 30, 2016	9,600
Jeannemarie Pierson City Council, District C	301 South Eighth Street Ponchatoula, LA 70454 (985) 386-6461	July 1, 2012 - June 30, 2016	9,600
Melvin Toomer City Council, District D	495 S.E. 1-55 Service Road Ponchatoula, LA 70454 (985) 386-8186	July 1, 2012 - June 30, 2016	9,600
Vergil J. Sandifer City Council, District E	485 East Cypress Street Ponchatoula, LA 70454 (985) 386-8373	July 1, 2012 - June 30, 2016	9,600
Total			<u>\$ 209,400</u>

* Including benefits, vehicle allowance, and cell phone allowance

** Including benefits, state supplemental pay, and vehicle allowance

See independent auditor's report.

City of Ponchatoula, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to Agency Head
 For the Year Ended June 30, 2015

Schedule 8

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

Purpose	Amount
Salary	\$ 62,181
Benefits - Insurance	6,024
Benefits - Retirement	5,896
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	7,200
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	1,200
Dues	-
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	-
Total	\$ 82,501

See independent auditor's report.

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

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
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Jared R. Lauderdale, CPA

October 1, 2015

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements, and have issued our report thereon dated October 1, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year audit findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of current year audit findings and responses numbered 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ponchatoula, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions

was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year audit findings and responses as item 2015-002 and 2015-003.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs
(A Professional Corporation)

City of Ponchatoula, Louisiana
Current Year Audit Findings and Responses
For the Year Ended June 30, 2015

Internal Control over Financial Reporting

2015-001 – Internal Controls over Traffic Citations

Condition: During our audit and review of the internal control procedures over fines & forfeiture revenue, we noted several weaknesses that if not corrected could result in errors occurring that could possibly be material to the financial statements and not be detected or prevented in a timely manner by employees performing their assigned functions. The weaknesses noted include the following:

- Unissued ticket books are not properly safeguarded in a locked filing cabinet with access limited to only one employee.
- The numerical sequence of unissued ticket books is not maintained to prevent unauthorized removal of ticket books
- A control copy of each ticket issued by the patrol office is not maintained in each ticket book to prevent unauthorized disposition of tickets written.
- Adequate controls over ticket books issued are not maintained as:
 - Ticket books are issued out of order.
 - Patrol officers are allowed to receive multiples ticket books at the same time.
 - Patrol officers are not required to turn in a completed book before a new book is issued.
- The custodian of the ticket books at the police station is not maintaining a complete record of all tickets issued. Approximately twenty-three tickets were issued to officers during the year, but were not accounted for in the log of all tickets issued. Since no control copy of tickets issued remain in the books there is no way to determine what the final disposition of the missing tickets is.
- Patrol officers are signing multiple tickets prior to issuance to the offender.

Criteria: Internal controls over fines and forfeitures revenues should be suitably designed so that errors can be prevented or detected and corrected in a timely manner by management or employees during in the normal course of performing their assigned duties. Furthermore, State law requires specific procedures for handling and processing of tickets. The applicable statutes are as follows:

Per LRS 32:398.1(B), *“The chief administrative officer of each traffic-enforcement agency shall issue these books, maintain a record of each book and each citation contained therein issued to all individual members of the traffic enforcement agency and shall require and retain a receipt for each book issued.”*

Per LRS 32:398.2(D), *“The chief administrator officer of each traffic enforcement agency in the state shall require all traffic officers under his supervision to return to him a copy of every traffic citation which was issued by the officer for the violation of a traffic law or ordinance, and in addition shall require the return of all copies of every traffic citation which has been spoiled or upon which an entry has been made without having issued the citation to the alleged violator.”*

Cause: The cause of this condition appears to be poor design and operation of controls over fines and forfeitures revenue.

City of Ponchatoula, Louisiana
Current Year Audit Findings and Responses
For the Year Ended June 30, 2015

Effect: These internal control weaknesses create an environment in which errors or irregularities in the processing of fines and forfeitures revenue could occur and not be either prevented or detected and correct by City employees in a timely manner.

Recommendation: We recommend the following specific actions to improve existing controls:

- Custody and control of unissued tickets books should be the responsibility of the Police Department Administrative Assistant with the supply of unissued ticket books organized in numerical sequence and locked in a locking file cabinet with access restricted to the Police Department Administrative Assistant.
- Ticket books should be issued in numerical sequence to patrol officers one ticket book at a time by the Police Department Administrative Assistant only after all previously issued ticket books have been returned with the control copy of each ticket issued in the book. The patrol officer should sign and date the control log indicating receipt of the new ticket book.
- A detailed control log in numerical sequence should be maintained for all tickets issued to document the final disposition of each ticket issued by a patrol officer.
- Patrol officers should be prohibited from signing tickets in advance of issuance to a violator.

Management's Response:

In management's corrective action plan dated October 1, 2015, management indicated that they are aware of the internal control issues and are taking steps to correct them.

Compliance and Other Matters

2015-002 – Unallowable Charge to Credit Cards

Condition: During our audit and testing of expenditures charged to all City credit cards, we noticed a credit card charge to Verizon Wireless in the amount of \$2,150.07 was made on the credit card maintained by the Police Department. Upon further inquiry with City personnel, it was determined that this charge was for the payment of a delinquent cell phone bill accrued on a police officer's personal cell phone account prior to the officer's employment with the City.

Upon further inquiry with city personnel, it was determined that, prior to charging this Verizon Wireless bill on the Police Department credit card and following the City's established internal control procedures for processing cash disbursements, this Verizon Wireless bill was submitted to City Hall for processing and payment. This Verizon Wireless bill was denied for payment by the City's Purchasing Department as being inappropriate. Subsequently, this invoice was charged to the Police Department's credit card by Police Department personnel.

Criteria: Effective internal controls over purchasing and cash disbursements require that City employees in a supervisory position not be allowed to circumvent the City's established internal control procedures over purchasing and processing of cash disbursements by charging unallowed expenditures on the City credit card.

City of Ponchatoula, Louisiana
Current Year Audit Findings and Responses
For the Year Ended June 30, 2015

Cause: The cause of this condition appears to be a failure of the Police Department to follow the City's established internal control procedures over purchasing and processing of cash disbursements.

Effect: Allowing City employees in a supervisory position to circumvent the City's established internal control procedures over purchasing and processing of cash disbursements creates an environment in which unallowable expenditures could be incurred and ultimately paid by the City without proper review and approval by City Hall personnel charged with the responsibility processing, approving and paying City government expenditures. Furthermore, the payment of a personal expense of an employee prior to their employment with the City for which the City has no legal responsibility we believe is a donation of public funds to that individual and may constitute a violation of Article VII, Section 14(A) of the Louisiana Constitution of 1974. The pertinent parts of the Constitution are as follows: *"Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."*

Recommendation: We recommend that the City immediately require the police officer to repay the \$2,150.07. Furthermore, we also recommend that the City require Police Department personnel to follow existing City internal control procedures for purchasing, processing of cash disbursements, and credit cards usage or have the Police Department credit card cancelled.

Management's Response: In management's corrective action plan dated October 1, 2015, management indicated the following:

We are currently in the process of obtaining previous Verizon phone records for the mentioned phone account. Once these have been obtained and reviewed, we will discuss this issue further.

2015-003 – Local Government Budget Act

Condition: The City did not comply with certain provisions of the Local Government Budget Act, which requires the City to amend its budget when actual expenditures exceed budgeted expenditures by more than 5%.

Criteria: Budget procedures applicable to the City are specified in state law, LRS 39:1301-1315. The pertinent parts of the law and the manner in which the City failed to comply is as follows: LSA-R.S. 39:1311(A)(2) requires a budgetary amendment when *"Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more."*

For the year ended June 30, 2015, the General Fund showed total actual expenditures and other uses were \$7,421,507, while total budgeted expenditures and other uses were \$5,998,378, a difference of 23.73%.

City of Ponchatoula, Louisiana
Current Year Audit Findings and Responses
For the Year Ended June 30, 2015

Cause: This condition appears to be an oversight by management in preparing and amending the 2015 operating budget for the General Fund. The primary component of this difference was the failure to budget \$409,583 of road repairs and improvements during the fiscal year.

Effect: As a result of this oversight, the City was not in compliance with certain aspects of the Local Government Budget laws.

Recommendation: We recommend that the City closely monitor its budget and adopt amendments when required, especially for capital outlay projects taking place during the year.

Management's Response: In management's corrective action plan dated October 13, 2015, management indicated that management continues to monitor their budget on a regular basis and will adopt budgetary amendments when necessary.

Management Letter Suggestions

None

City of Ponchatoula, Louisiana
Summary Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2015

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Management Letter Suggestions

None