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**CITY OF PONCHATOULA,
LOUISIANA**

Annual Financial Statements

For the Year Ended June 30, 2009

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

Release Date 11/25/09

Contents	Statement	Schedule	Page
Independent Auditor's Report			1 - 2
Required Supplemental Information - Part I			
Management's Discussion and Analysis			4 - 13
Basic Financial Statements			
Government-Wide Financial Statements			
Statement of Net Assets	A		15
Statement of Activities	B		16
Fund Financial Statements			
Governmental Funds			
Balance Sheet	C		18
Reconciliation of the Governmental Funds			
Balance Sheet to the Statement of Net Assets	D		19
Statement of Revenues, Expenditures and Changes in Fund Balances	E		20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances			
Balances of Governmental Funds to the Statement of Activities	F		21
Proprietary Funds			
Statements of Net Assets	G		22 - 23
Statements of Revenues, Expenses and Changes in Net Assets	H		24
Statements of Cash Flows	I		25 - 26
Notes to Financial Statements			28 - 56
Required Supplemental Information - Part II			
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual			
General Fund	1		58
1965 Sales Tax Fund	2		59
1982 Sales Tax Fund	3		60
Other Supplemental Information			
Non-Major Governmental Funds			
Combining Balance Sheet	4		62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5		63
Schedule of Compensation of Paid Elected Officials	6		64

Contents	Statement	Schedule	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>			66 - 67
Management Letter			68
Schedule of Findings and Responses			69 - 70



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2009, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 - 14 and budgetary comparison information presented as Schedules 1 - 3 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



A Professional Accounting Corporation

October 27, 2009

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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, 2009. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

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

Overview of the Financial Statements

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

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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

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

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

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

Government-Wide Financial Analysis

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

	2009	2008	Change	% Change
Assets				
Current and Other Assets	\$ 7,193,542	\$ 7,406,264	\$ (212,722)	-2.87%
Capital Assets	13,180,890	12,891,173	289,717	2.25%
Total Assets	20,374,432	20,297,437	76,995	0.38%
Liabilities				
Current Liabilities	561,776	591,128	(29,352)	-4.97%
Long-Term Debt	566,624	690,580	(123,956)	-17.95%
Total Liabilities	1,128,400	1,281,708	(153,308)	-11.96%
Net Assets				
Invested in Capital Assets	12,807,924	12,206,612	601,312	4.93%
Restricted Net Assets	122,659	279,217	(156,558)	-56.07%
Unrestricted Net Assets	6,315,449	6,529,900	(214,451)	-3.28%
Total Net Assets	\$ 19,246,032	\$ 19,015,729	\$ 230,303	1.21%

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$19,246,032 (net assets), an increase of \$230,303 from last year. Of the total amount, \$6,315,449 are unrestricted net assets. The City's net assets are comprised of \$11,282,202 from governmental activities and \$7,963,830 from business-type activities as shown on Statement A.

By far the largest portion of the City's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (0.64 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,315,449 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole. The same situation held true for the prior seven fiscal years.

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

	2009	2008	Change	% Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,827,042	\$ 1,669,956	\$ 157,086	9.41%
Operating Grants and Contributions	466,183	536,196	(70,013)	-13.06%
Capital Grants and Contributions	55,200	495,755	(440,555)	-88.87%
General Revenues				
Taxes	3,315,628	3,359,284	(43,656)	-1.30%
Other	1,133,105	1,352,720	(219,615)	-16.24%
Total Revenues	6,797,158	7,413,911	(616,753)	-8.32%
Expenses				
Governmental Activities	5,463,466	5,084,001	379,464	7.46%
Business-Type Activities	1,103,390	1,039,476	63,914	6.15%
Total Expenses	6,566,855	6,123,477	443,378	7.24%
Change in Net Assets				
Net Assets, Beginning of Year	230,303	1,290,434	(1,060,131)	-82.15%
Net Assets, End of Year	19,015,729	17,725,295	1,290,434	7.28%
	\$ 19,246,032	\$ 19,015,729	\$ 230,303	1.21%

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

Capital grants and contributions decreased by \$440,555 due to a large prior year overlay of City maintained streets paid for by the Tangipahoa Parish Council.

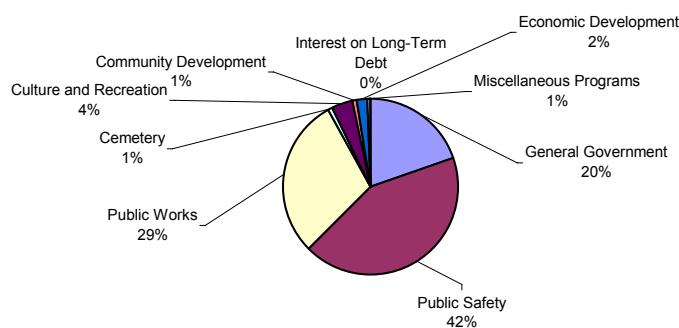
Taxes decreased by \$43,626 as a result of sales taxes decreasing by \$128,648 and property taxes increasing by \$84,992. Other general revenues decreased by \$219,615. This was due primarily to decreases in franchise taxes of \$1,088, licenses and permits of \$56,371, investment earnings of \$168,470 and a gain on the disposition of assets of \$24,662.

Governmental Activities

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

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

Governmental Expenditures	Amount	Percentage
General Government	\$ 1,083,660	19.84%
Public Safety	2,328,190	42.61%
Public Works	1,606,190	29.40%
Cemetery	46,033	0.84%
Culture and Recreation	219,307	4.01%
Community Development	36,721	0.67%
Economic Development	114,435	2.10%
Miscellaneous Programs	27,594	0.51%
Interest on Long-Term Debt	1,335	0.02%
<hr/>		
Total Governmental Activities	\$ 5,463,465	100.00%

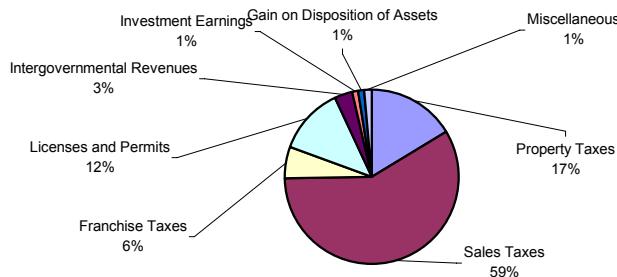


CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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

General Revenues	Amount	Percentage
Sales Taxes	\$ 2,584,298	58.33%
Property Taxes	731,330	16.51%
Licenses and Permits	553,154	12.49%
Franchise Fees	250,888	5.66%
Intergovernmental Revenues	146,092	3.30%
Miscellaneous	65,272	1.47%
Investment Earnings	50,387	1.14%
Gain on Disposition of Assets	48,775	1.10%
Total General Revenues	\$ 4,430,196	100.00%



Sales taxes are the largest revenue source for the City comprising 58.33% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 16.51% of total general governmental revenue. For the year ended June 30, 2009, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for police pay, fire pay and to purchase equipment for both departments.

	2009		2008	
	Taxes Levied	Mills	Taxes Levied	Mills
General Fund Millage	\$ 277,641	6.52	\$ 241,545	6.52
Police Millage	255,497	6.00	222,279	6.00
Fire Millage	85,166	2.00	74,093	2.00
Equipment Millage	<u>85,166</u>	<u>2.00</u>	<u>74,093</u>	<u>2.00</u>
Total Property Taxes Levied	\$ 703,470	16.52	\$ 612,010	16.52

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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.

Charges for Services	Water	Sewer
Fiscal Year Ended June 30, 2009	\$ 336,038	\$ 859,687
Fiscal Year Ended June 30, 2008	<u>330,976</u>	<u>829,220</u>
Increase Between Years	<u>\$ 5,062</u>	<u>\$ 30,467</u>

Operating Expenses	Water	Sewer
Fiscal Year Ended June 30, 2009	\$ 313,376	\$ 784,888
Fiscal Year Ended June 30, 2008	<u>277,826</u>	<u>738,855</u>
Increase Between Years	<u>\$ 35,550</u>	<u>\$ 46,033</u>

2. FUND FINANCIAL STATEMENTS

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

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

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.

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,937,733, a decrease of \$205,103 from June 30, 2008. In the General Fund, the unreserved fund balance is \$2,178,352 as is shown in Statement C.

At June 30, 2009, the City has fund balances of \$967,489 and \$1,084,310 in each of the Sales Tax Funds to provide for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions.

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

The reserved fund balance in governmental funds in the amount of \$431,086 indicate that these funds are not available for new spending because they have already been committed for debt service and emergency use. The Cemetery Endowment Fund's total fund balance is reserved for care of the cemetery and the \$302,621 is reserved in the general fund for emergencies.

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

Fund Balance in the City's Major Funds:

Fund Balance Date	General Fund	1965 Sales Tax Fund	1982 Sales Tax Fund
June 30, 2009	\$ 2,480,973	\$ 967,489	\$ 1,084,310
June 30, 2008	2,230,735	1,143,813	1,173,203
Change in Fund Balance	<u>\$ 250,238</u>	<u>\$ (176,324)</u>	<u>\$ (88,893)</u>

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

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

3. NOTES TO FINANCIAL STATEMENTS

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

4. SUPPLEMENTAL INFORMATION

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

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

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

- Intergovernmental revenues were increased by \$184,700 because of additional grant revenues received.
- Public Works expenditures decreased by \$539,100 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, Fireman Pay Millage Fund, Policeman Pay Millage Fund, and Equipment Millage Fund), Debt Service Funds (1998 Sales Tax Sinking and 2003 Series ST Bond Sinking) and the Permanent Fund (Cemetery Endowment) have been provided beginning on Schedule 4.

Capital Asset and Debt Administration

1. Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2009, in its governmental activities is \$6,470,435 and in business-type activities is \$6,710,455 which totals \$13,180,890 for the City. Capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total change in the City's capital assets for the current fiscal year was a \$150,626 increase for governmental activities and a \$139,091 increase for business-type activities.

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

- A. Infrastructure was added at a cost of \$212,555. This included parish overlays of streets maintained by the City of \$55,200.
- B. Police vehicles were added at a cost of \$114,758.
- C. Building additions were increased by \$307,789. This included renovations of the Community Center and Fire Station.

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 total debt outstanding of \$388,000 payable from a pledge of the City's sewer revenues.

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2009

Management's Discussion and Analysis

The City's total debt decreased during the current fiscal year in the amount of \$347,000 made in principal payments toward the outstanding debt.

Additional information on the City's long-term debt can be found in Note 9.

3. Capital Leases

At the end of the current fiscal year, the City had capital leases outstanding of \$125,966. The entire amount of the leases were 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 2010 fiscal year:

Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing FY 2009's collections, it was noted that overall receipts were very near the budget projection. Inasmuch, next year's projected collections remained relatively the same.

The City expects several grants to be funded in 2010. These projects include sewer improvements, water well and tower improvements, and justice assistance.

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

The City will implement procedures, designed with the help of a consultant hired the prior year, to establish better and more efficient operations in all City departments.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the 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**

Statement A

CITY OF PONCHATOULA, LOUISIANA
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,651,023	\$ 820,544	\$ 3,471,567
Investments	2,237,245	594,016	2,831,261
Receivables, Net	359,612	121,159	480,771
Internal Balances	4,053	(4,053)	-
Restricted Cash and Cash Equivalents	-	198,419	198,419
Restricted Investments	-	206,597	206,597
Capital Assets, Net	6,470,435	6,710,455	13,180,890
Other Assets	-	4,927	4,927
Total Assets	11,722,368	8,652,064	20,374,432
Liabilities			
Accounts Payable	180,150	11,199	191,349
Accrued Liabilities	134,050	19,213	153,263
Non-Current Liabilities			
Due Within One Year	76,164	141,000	217,164
Due in More than One Year	49,802	247,000	296,802
Utility Meter Deposits	-	269,822	269,822
Total Liabilities	440,166	688,234	1,128,400
Net Assets			
Invested in Capital Assets, Net of			
Related Debt	6,344,469	6,463,455	12,807,924
Restricted For:			
Debt Service	-	8,487	8,487
Cemetery Endowment	128,465	-	128,465
Meter Deposits	-	(14,293)	(14,293)
Unrestricted Net Assets	<u>4,809,268</u>	<u>1,506,181</u>	<u>6,315,449</u>
Total Net Assets	\$ 11,282,202	\$ 7,963,830	\$ 19,246,032

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

CITY OF PONCHATOULA, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2009

Statement B

Functional Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
General Government	\$ 1,083,660	\$ -	\$ 191,962	\$ -	\$ (891,698)	\$ -	\$ (891,698)
Public Safety	2,328,190	2,112,53	196,908	-	(1,926,029)	-	(1,926,029)
Public Works	1,606,190	420,064	77,313	55,200	(1,053,613)	-	(1,053,613)
Cemetery	46,033	-	-	-	(46,033)	-	(46,033)
Culture and Recreation	219,307	-	-	-	(219,307)	-	(219,307)
Community Development	36,721	-	-	-	(36,721)	-	(36,721)
Economic Development	114,435	-	-	-	(114,435)	-	(114,435)
Miscellaneous Programs	27,594	-	-	-	(27,594)	-	(27,594)
Interest on Long-Term Debt	1,335	-	-	-	(1,335)	-	(1,335)
Total Governmental Activities	5,463,465	631,317	466,183	55,200	(4,310,765)	-	(4,310,765)
Business-Type Activities							
Water	313,376	336,038	-	-	-	22,662	22,662
Sewer	784,888	859,887	-	-	-	74,799	74,799
Interest on Long-Term Debt	5,126	-	-	-	-	(5,126)	(5,126)
Total Business-Type Activities	1,103,390	1,195,725	-	-	-	92,335	92,335
Total	\$ 6,566,855	\$ 1,827,042	\$ 466,183	\$ 55,200	(4,310,765)	92,335	(4,218,430)
General Revenues							
Taxes							
Sales Tax	2,584,298	-	-	-	-	2,584,298	2,584,298
Property Tax	731,330	-	-	-	-	731,330	731,330
Licenses and Permits	553,154	-	-	-	-	553,154	553,154
Franchise Fees	250,888	-	-	-	-	250,888	250,888
Intergovernmental Revenues	146,092	-	-	-	-	146,092	146,092
Investment Earnings	50,387	-	-	-	-	50,387	50,387
Miscellaneous	65,272	-	-	-	-	65,272	65,272
Gain on Disposition of Assets	48,775	-	-	-	-	48,775	48,775
Total General Revenues	4,430,196	-	18,537	-	-	4,448,733	4,448,733
Change in Net Assets	119,431	110,872	-	-	-	119,431	119,431
Net Assets, Beginning of Year	11,162,771	7,852,958	-	-	-	11,162,771	11,162,771
Net Assets, End of Year	\$ 11,282,202	\$ 7,953,530	\$ 19,246,032	\$ 19,246,032	\$ 19,246,032	\$ 19,246,032	\$ 19,246,032

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

Statement C

CITY OF PONCHATOULA, LOUISIANA
Balance Sheet
Governmental Funds
June 30, 2009

	Special Revenue		Non-Major Governmental Funds	Total Governmental Funds
	1965 General Fund	1982 Sales Tax Fund		
Assets				
Cash and Cash Equivalents	\$ 2,098,066	\$ 70,531	\$ 209,307	\$ 2,651,023
Investments	522,493	788,421	766,466	2,237,245
Receivables, Net				
Franchise Taxes	50,287	-	-	50,287
Sales Taxes	-	109,247	109,247	218,494
Garbage Collection Fees	43,685	-	-	43,685
Other Receivables	47,146	-	-	47,146
Due from Other Funds	68,042	-	-	68,042
Total Assets	\$ 2,829,719	\$ 968,199	\$ 1,085,020	\$ 5,315,922
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 178,730	\$ 710	\$ 710	\$ 180,150
Accrued Liabilities	134,050	-	-	134,050
Due to Other Funds	35,966	-	-	28,023
Total Liabilities	348,746	710	710	378,189
Fund Balances				
Reserved for Emergencies	302,621	-	-	302,621
Reserved for Cemetery Endowment	-	-	-	128,465
Unreserved, Reported in:				
General Fund	2,178,352	-	-	2,178,352
Special Revenue Funds	-	967,489	1,084,310	276,496
Total Fund Balances	2,480,973	967,489	1,084,310	4,937,733
Total Liabilities and Fund Balances	\$ 2,829,719	\$ 968,199	\$ 1,085,020	\$ 5,315,922

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

Statement D

CITY OF PONCHATOULA, LOUISIANA
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Assets
June 30, 2009

Fund Balances - Total Governmental Funds \$ 4,937,733

Amounts reported for governmental activities in the Statement of Net Assets
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 14,010,491
Less: Accumulated Depreciation (7,540,056)

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 (125,966)

Net Assets of Governmental Activities \$ 11,282,202

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

Statement E

CITY OF PONCHATOULA, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Special Revenue			Non-Major Governmental Funds	Total Governmental Funds
		1965	1982	Sales Tax Fund		
Revenues						
Taxes						
Sales Taxes	\$ -	\$ 1,292,149	\$ 1,292,149	\$ -	\$ 428,110	\$ 2,584,298
Property Taxes	303,220	-	-	-	-	731,330
Intergovernmental Revenue	612,275	-	-	-	-	612,275
Licenses and Permits	553,154	-	-	-	-	553,154
Sanitation Service Fees	420,064	-	-	-	-	420,064
Franchise Fees	250,888	-	-	-	-	250,888
Fines and Forfeitures	211,253	-	-	-	-	211,253
Other Revenues	65,270	-	-	-	-	65,270
Interest Income	20,875	12,772	11,663	5,077	50,387	
Total Revenues	2,436,999	-	1,304,921	1,303,812	433,187	5,478,919
Expenditures						
Current						
General Government	1,019,856	9,038	9,038	2,140	2,140	1,040,072
Public Safety	2,512,304	-	-	63,294	63,294	2,575,598
Public Works	1,354,365	-	-	-	-	1,354,365
Cemetery	45,949	-	-	-	-	45,949
Culture and Recreation	302,204	-	-	-	-	302,204
Community Development	183,390	-	-	-	-	183,390
Economic Development	-	114,433	-	-	-	114,433
Miscellaneous Programs	16,310	-	-	-	-	16,310
Debt Service						
Principal	-	-	-	212,000	212,000	
Interest	-	-	-	4,648	4,648	
Total Expenditures	5,434,378	123,471	9,038	282,082	282,082	5,848,969
(Deficiency) Excess of Revenues Over Expenditures	(2,997,379)	1,181,450	1,294,774	151,105	(370,050)	
Other Financing Sources (Uses)						
Transfers In	3,168,378	35,414	27,999	91,848	91,848	3,323,639
Transfers Out	(85,708)	(1,393,188)	(1,411,666)	(433,077)	(433,077)	(3,323,639)
Capital Lease Proceeds	114,758	-	-	-	-	114,758
Sale of Capital Assets	50,189	-	-	-	-	50,189
Total Other Financing Sources (Uses)	3,247,617	(1,357,774)	(1,383,667)	(341,229)	(341,229)	164,947
Changes in Fund Balances	250,238	(176,324)	(88,893)	(190,124)	(190,124)	(205,103)
Fund Balances, Beginning of Year	2,230,735	1,143,813	1,173,203	595,085	595,085	5,142,836
Fund Balances, End of Year	\$ 2,480,973	\$ 967,489	\$ 1,084,310	\$ 404,961	\$ 404,961	\$ 4,937,733

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

Statement F

CITY OF PONCHATOULA, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2009

Changes in Fund Balances - Total Governmental Funds	\$ (205,103)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital outlay exceeded depreciation charged in the current period.	96,839
The proceeds from the sale of assets are reported as revenue (as an other financing source) in the governmental funds. However, the cost of those assets is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "gain on sale of assets" in the Statement of Activities. Thus, more revenue is reported in the governmental funds than gain in the Statement of Activities.	(1,414)
The contribution of capital assets is not reported in the governmental funds unless these assets are held for resale. Such donations are, however, a transaction that must be reported in the Statement of Activities.	55,200
Capital lease proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the Statement of Activities.	(114,758)
Accrued interest expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	3,314
Repayment of bonds, certificates of indebtedness and capital lease obligations is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>285,353</u>
Change in Net Assets of Governmental Activities	<u>\$ 119,431</u>

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

Statement G

CITY OF PONCHATOULA, LOUISIANA
Statements of Net Assets
Proprietary Funds
June 30, 2009 and 2008

Assets	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2009	2008
Current Assets				
Cash and Cash Equivalents	\$ 225,090	\$ 595,454	\$ 820,544	\$ 855,766
Investments	518,510	75,506	594,016	588,030
Accounts Receivable, Net	34,980	86,179	121,159	127,266
Due from Other Funds	-	35,966	35,966	84,978
Total Current Assets	778,580	793,105	1,571,685	1,656,040
Non-Current Assets				
Restricted Assets				
Cash and Cash Equivalents				
Water Fund - Meter Deposit	48,932	-	48,932	77,853
Sewer Fund - Revenue	-	25,900	25,900	25,900
Sewer Fund - Sinking	-	68,624	68,624	67,680
Sewer Fund - Renewal and Replacement	-	54,963	54,963	54,620
Investments				
Water Fund - Meter Deposit	206,597	-	206,597	204,090
Total Restricted Assets	255,529	149,487	405,016	430,143
Capital Assets				
Property, Plant and Equipment, at Cost	3,224,641	7,670,565	10,895,206	10,560,526
Less: Accumulated Depreciation	(1,282,073)	(3,047,863)	(4,329,936)	(4,081,585)
Land	142,015	3,170	145,185	92,423
Total Capital Assets	2,084,583	4,625,872	6,710,455	6,571,364
Other Assets				
Bond Issuance Costs	-	15,559	15,559	15,559
Less: Accumulated Amortization	-	(10,632)	(10,632)	(8,789)
Total Other Assets	-	4,927	4,927	6,770
Total Assets	3,118,692	5,573,391	8,692,083	8,664,317

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

Statement G (Continued)

CITY OF PONCHATOULA, LOUISIANA
Statements of Net Assets
Proprietary Funds
June 30, 2009 and 2008

Liabilities	Business-Type Activities		Total	
	Enterprise Funds	Water	Sewer	(Memorandum Only)
	2009		2008	
Current Liabilities				
(Payable from Current Assets)				
Accounts Payable	2,853	8,346	11,199	11,200
Accrued Liabilities	8,140	11,073	19,213	9,844
Due to Other Funds	40,019	-	40,019	-
Total Current Liabilities	51,012	19,419	70,431	21,044
Current Liabilities				
(Payable from Restricted Assets)				
Meter Deposits	269,822	-	269,822	254,115
Revenue Bonds	-	141,000	141,000	135,000
Accrued Interest	-	-	-	13,200
Total Current Liabilities	269,822	141,000	410,822	402,315
Long-Term Liabilities				
Revenue Bonds Payable	-	247,000	247,000	388,000
Total Long-Term Liabilities	-	247,000	247,000	388,000
Total Liabilities	320,834	407,419	728,253	811,359
Net Assets				
Invested in Capital Assets, Net of				
Related Debt	2,084,583	4,378,872	6,463,455	6,183,364
Restricted for:				
Debt Service	-	8,487	8,487	-
Meter Deposits	(14,293)	-	(14,293)	27,828
Unrestricted Net Assets	727,568	778,613	1,506,181	1,641,766
Total Net Assets	\$ 2,797,858	\$ 5,165,972	\$ 7,963,830	\$ 7,852,958

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

Statement H

CITY OF PONCHATOULA, LOUISIANA
Statements of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Years Ended June 30, 2009 and 2008

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2009	2008
Operating Revenues				
Charges for Services	\$ 336,038	\$ 859,687	\$ 1,195,725	\$ 1,160,196
Total Operating Revenues	336,038	859,687	1,195,725	1,160,196
Operating Expenses				
Repairs and Maintenance	23,260	232,058	255,318	261,075
Depreciation and Amortization	58,458	191,736	250,194	247,940
Salaries and Employee Benefits	86,328	154,766	241,094	222,345
Utilities and Telephone	44,082	76,441	120,523	129,774
Bad Debts	24,324	33,471	57,795	-
Supplies	23,049	28,256	51,305	35,430
Environmental Testing	7,249	28,510	35,759	55,662
Professional Fees	9,434	26,292	35,726	12,500
Insurance	16,942	6,256	23,198	18,964
Miscellaneous	12,694	1,257	13,951	17,277
Vehicle Expense	7,556	5,845	13,401	15,714
Total Operating Expenses	313,376	784,888	1,098,264	1,016,681
Operating Income	22,662	74,799	97,461	143,515
Non-Operating Revenues (Expenses)				
Investment Interest	13,778	4,759	18,537	53,876
Interest Expense	-	(5,126)	(5,126)	(22,795)
Transfers In	-	-	-	160,000
Total Non-Operating Revenues (Expenses)	13,778	(367)	13,411	191,081
Changes in Net Assets	36,440	74,432	110,872	334,596
Net Assets, Beginning of Year	2,761,418	5,091,540	7,852,958	7,518,362
Net Assets, End of Year	\$ 2,797,858	\$ 5,165,972	\$ 7,963,830	\$ 7,852,958

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

Statement I

CITY OF PONCHATOULA, LOUISIANA
Statements of Cash Flows
Proprietary Funds
For the Years Ended June 30, 2009 and 2008

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2009	2008
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 352,794	\$ 851,344	\$ 1,204,138	\$ 1,151,723
Payments to Suppliers	(161,034)	(432,541)	(593,575)	(546,396)
Payments to Employees	(81,458)	(150,267)	(231,725)	(219,366)
Net Cash Provided by Operating Activities	110,302	268,536	378,838	385,961
Cash Flows from Non-Capital Financing Activities				
Interfund Transfers and Borrowings	67,239	21,791	89,030	172,764
Net Cash Provided by Non-Capital Financing Activities	67,239	21,791	89,030	172,764
Cash Flows from Capital and Related Financing Activities				
Purchase of Equipment	(303,419)	(31,261)	(334,680)	(39,305)
Purchase of Land	(52,762)	-	(52,762)	-
Principal Paid on Revenue Bonds	-	(135,000)	(135,000)	(134,000)
Interest Paid on Revenue Bonds	-	(18,326)	(18,326)	(22,795)
Net Cash Used in Capital and Related Financing Activities	(356,181)	(184,587)	(540,768)	(196,100)
Cash Flows from Investing Activities				
Interest Earned on Investments	13,778	4,759	18,537	53,876
Purchase of Investments, Net	(7,577)	(916)	(8,493)	(322,099)
Net Cash Provided by (Used in) Investing Activities	6,201	3,843	10,044	(268,223)
Net (Decrease) Increase in Cash and Cash Equivalents	(172,439)	109,583	(62,856)	94,402
Cash and Cash Equivalents, Beginning of Year	446,461	635,358	1,081,819	987,417
Cash and Cash Equivalents, End of Year	\$ 274,022	\$ 744,941	\$ 1,018,963	\$ 1,081,819
Cash and Cash Equivalents Reconciliation				
Unrestricted Cash and Cash Equivalents	\$ 225,090	\$ 595,454	\$ 820,544	\$ 855,766
Restricted Cash and Cash Equivalents	48,932	149,487	198,419	226,053
Cash and Cash Equivalents, End of Year	\$ 274,022	\$ 744,941	\$ 1,018,963	\$ 1,081,819

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

Statement I (Continued)

CITY OF PONCHATOULA, LOUISIANA
Statements of Cash Flows
Proprietary Funds
For the Years Ended June 30, 2009 and 2008

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2009	2008
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities				
Operating Income	\$ 22,662	\$ 74,799	\$ 97,461	\$ 143,515
Adjustments to Reconcile Operating Income to Net Cash				
Provided by Operating Activities				
Depreciation and Amortization	58,458	191,736	250,194	247,940
Bad Debt Expense	24,324	33,471	57,795	-
Increase in Accounts Receivable	(15,719)	(35,969)	(51,688)	(25,048)
Increase (Decrease) in:				
Accrued Liabilities	4,870	(8,701)	(3,831)	2,979
Customer Deposits	15,707	-	15,707	16,575
Accrued Interest	-	13,200	13,200	-
Net Cash Provided by Operating Activities	\$ 110,302	\$ 268,536	\$ 378,838	\$ 385,961
Supplemental Information				
Interest Paid	\$ -	\$ 18,326	\$ 18,326	\$ 22,795

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

NOTES TO FINANCIAL STATEMENTS

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Introduction

The City of Ponchatoula, Louisiana (the City) was first incorporated on February 12, 1861. Upon the City's acceptance of the provisions of Act 136 enacted on July 29, 1898, it became governed under the Lawrason Act. The City operates under a Mayor-City Council form of government. The Mayor is elected for a four-year term. The City Council consists of five council members, each elected from a separate district in the City and each serving a four-year term of office. The Mayor and each member of the City Council are compensated for their service to the City. The City is located north of New Orleans, Louisiana, and east of Baton Rouge, Louisiana, at the intersections of Interstate Highway 55 and Interstate Highway 12. The population of the City, according to the most recent census taken in 2000, is 5,180. The current number of commercial and residential utility customers served is 3,838. 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 38 miles of roads and streets. The City has 57 full-time employees, including council members.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (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*.

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 their 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.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Government-Wide Financial Statements

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

Statement of Net Assets - In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 assets resulting from the current year's activities.

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.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Fund Financial Statements (Continued)

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 upon 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 all financial transactions and resources except for those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income.

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

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

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Fund Financial Statements (Continued)

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

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

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General, Special Revenue, Debt Service Funds 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 current assets.

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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. As a result, 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, 2009, 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, 2009, on June 23, 2008.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

- 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, 2009, was adopted on June 23, 2008.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council. Budget for the year ended June 30, 2009, was amended on June 19, 2009, by Ordinance No. 662.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Financial Statement Accounts

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

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

Inventory - The City utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The City did not record any inventory at June 30, 2009, as the amount is immaterial.

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

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

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

Capital Assets - Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the City has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2009, was immaterial.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

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.

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

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

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

Fund Equity - Government-Wide Statements - Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

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

Sales and Use Taxes - Sales taxes are collected by the Tangipahoa Parish School Board (the School Board) and remitted to the City in the month following the receipt by the School Board. The School Board receives sales taxes approximately one month after collection by vendors. Sales taxes collected by the School Board in July (which represent June sales) and received by the City in August have been accrued and are recorded as "Accounts Receivable." The following are the sales taxes in effect as of June 30, 2009:

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

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

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The City was in compliance with the Local Budget Act. See Note 1 for the procedures the City follows regarding budgets and budgetary accounting.

Deposits, 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.

Deficit Fund Equity

As of June 30, 2009, no City funds had deficit fund equities.

Compliance with Bond Covenants

Compliance with Sewer Revenue Refunding Bond Covenants - As of June 30, 2009, the City was in compliance with all Sewer Revenue Refunding Bond Covenants. See Note 12 for a further discussion of the Sewer Revenue Refunding Bond Covenants.

Note 3. Cash and Cash Equivalents

At June 30, 2009, the City has \$3,669,986 (book balance) in interest-bearing demand deposits as follows:

Government-Wide Statement of Net Assets

Interest Bearing Deposits	\$ 3,669,986
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These deposits are stated at cost, which approximates market.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 3. Cash and Cash Equivalents (Continued)

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, 2009, \$3,691,808 of the City's bank balance of \$3,941,808 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 the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

Note 4. Investments

At June 30, 2009, the City has investments which include \$2,519,110 invested in the Louisiana Asset Management Pool (LAMP) and \$518,748 in other securities.

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.

Credit Risk

Investment	Rating	Percentage
LAMP	AAAm	83%
Fannie Mae (FNMA) Step-Up Call	AAA/Aaa/AAA	10%
Freddie Mac (FHLMC) MTN Call	Aaa/AAA	3%
Certificate of Deposit	BB+	3%
Other	Varies	1%

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

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 Step-Up Notes. These investments are 10% of the City's total investments.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

Interest Rate Risk

Investment	Maturity	Fair Value
Certificate of Deposit	3/14/2011	\$ 100,362
FHLMC MTN Call	2/26/2014	104,187
FNMA Step-Up Call	6/11/2014	198,876
FNMA Step-Up Call	7/15/2014	100,000
Other	Varies	15,323
Total		\$ 518,748

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.

Note 5. Utility Accounts Receivable

At June 30, 2009, the City had the following utility receivables and corresponding allowance for doubtful accounts:

	Governmental Funds Garbage Collection	Proprietary Funds	
		Water Collection	Sewer Collection
Receivable	\$ 74,506	\$ 67,704	\$ 147,650
Allowance for Doubtful Accounts	(30,821)	(32,724)	(61,471)
Receivable, Net	\$ 43,685	\$ 34,980	\$ 86,179

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 6. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the fiscal year ended June 30, 2009.

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 274,416	\$ -	\$ -	\$ 274,416
Capital Assets Being Depreciated				
Buildings	2,394,009	307,789	-	2,701,798
Improvements	1,978,114	-	-	1,978,114
Infrastructure	7,027,199	212,555	-	7,239,754
Computers	193,200	5,239	(3,956)	194,483
Vehicles	890,804	114,757	(106,000)	899,561
Office Equipment	66,437	9,805	(3,170)	73,072
Furniture and Fixtures	165,298	7,855	(2,207)	170,946
Machinery and Equipment	479,727	7,450	(8,830)	478,347
Total Capital Assets Being Depreciated	13,194,788	665,450	(124,163)	13,736,075
Less Accumulated Depreciation for:				
Buildings	(1,206,308)	(83,604)	-	(1,289,912)
Improvements	(605,981)	(57,201)	-	(663,182)
Infrastructure	(4,142,865)	(215,443)	-	(4,358,308)
Computers	(110,185)	(22,513)	2,849	(129,849)
Vehicles	(693,322)	(75,927)	106,000	(663,249)
Office Equipment	(45,313)	(6,555)	3,020	(48,848)
Furniture and Fixtures	(112,107)	(9,250)	2,050	(119,307)
Machinery and Equipment	(233,314)	(42,917)	8,830	(267,401)
Total Accumulated Depreciation	(7,149,395)	(513,410)	122,749	(7,540,056)
Total Capital Assets Being Depreciated, Net	6,045,393	152,040	(1,414)	6,196,019
Governmental Capital Assets, Net	\$ 6,319,809	\$ 152,040	\$ (1,414)	\$ 6,470,435

The addition of infrastructure assets include parish overlays of streets maintained by the City in the amount of \$55,200.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 54,875
Public Safety	104,538
Public Works	272,825
Cemetery	84
Culture and Recreation	59,117
Community Development	10,686
Miscellaneous Programs	<u>11,285</u>
Total	<u>\$ 513,410</u>

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2009.

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 92,423	\$ 52,762	\$ -	\$ 145,185
Capital Assets Being Depreciated				
Buildings	39,907	-	-	39,907
Water Wells and Tower	2,758,618	302,600	-	3,061,218
Equipment and Vehicles	204,692	1,860	-	206,552
Wastewater Treatment	7,557,309	30,220	-	7,587,529
Total Capital Assets				
Being Depreciated	<u>10,560,526</u>	<u>334,680</u>	<u>-</u>	<u>10,895,206</u>
Less Accumulated Depreciation for:				
Buildings	(12,838)	(798)	-	(13,636)
Water Wells and Tower	(1,135,947)	(50,019)	-	(1,185,966)
Equipment and Vehicles	(117,591)	(11,947)	-	(129,538)
Wastewater Treatment	(2,815,209)	(185,587)	-	(3,000,796)
Total Accumulated Depreciation	<u>(4,081,585)</u>	<u>(248,351)</u>	<u>-</u>	<u>(4,329,936)</u>
Total Capital Assets Being Depreciated, Net	<u>6,478,941</u>	<u>86,329</u>	<u>-</u>	<u>6,565,270</u>
Total	<u>\$ 6,571,364</u>	<u>\$ 139,091</u>	<u>\$ -</u>	<u>\$ 6,710,455</u>

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 6. Capital Assets (Continued)

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

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

Note 7. Employee Pension Plan

Louisiana Municipal Employees' Retirement System

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

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

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

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. Employee Pension Plan (Continued)

Louisiana Municipal Employees' Retirement System (Continued)

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

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

- Any age with thirty (30) years of creditable service.
- Age 60 with a minimum of ten (10) years of creditable service.
- Under age 60 with ten (10) years of creditable service eligible for disability benefits.
- Survivor's benefits are available upon the death of a member who has credit for five (5) or more years of service and who is not eligible for normal retirement benefits.

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

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

The employer contribution rate is 6.75% of members' earnings. The System also receives $\frac{1}{4}$ of 1% of Ad Valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions; the remaining employer contributions are determined according to actuarial requirements and are set annually.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. Employee Pension Plan (Continued)

Louisiana Municipal Employees' Retirement System (Continued)

Trend Information
Pension Expenditures/Expenses

Fiscal Year Ended	Required Contribution	Percentage Contribution
June 30, 2007	\$ 60,368	100%
June 30, 2008	\$ 43,856	100%
June 30, 2009	\$ 52,798	100%

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

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

Firefighters' Retirement System of Louisiana

Beginning in August 2000, full-time fire employees of the City began participating in the Louisiana Firefighters' Retirement System (the Fire System), a multiple-employer defined benefit public employee retirement system.

All City fire employees who participate in the plan shall be eligible for retirement if he has 25 years or more of creditable service at any age, 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3 1/3 percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Fire System also provides death and disability benefits. Benefits are established by state statute.

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

The employer contribution rate is 13.75% of members' earnings.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. Employee Pension Plan (Continued)

Firefighters' Retirement System of Louisiana (Continued)

Trend Information
Pension Expenditures/Expenses

Fiscal Year Ended	Required Contribution	Percentage Contribution
June 30, 2007	\$ 22,282	100%
June 30, 2008	\$ 26,948	100%
June 30, 2009	\$ 26,905	100%

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

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

Municipal Police Employees' Retirement System of Louisiana

Beginning in July 2000, full-time police employees of the City began participating in the Municipal Police Employees' Retirement System (the Police System), a multiple-employer defined benefit public employee retirement system.

All City police employees who participate in the plan shall be eligible for retirement if he has 25 years or more of creditable service at any age, 20 years or more of creditable service and is at least age 50, or 12 years or more creditable service and is at least age 55. Retirement benefits are equal to 3½ percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

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

The employer contribution rate is 9.50% of members' earnings.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. Employee Pension Plan (Continued)

Municipal Police Employees' Retirement System of Louisiana (Continued)

Trend Information

Pension Expenditures/Expenses

Fiscal Year Ended	Required Contribution	Percentage Contribution
June 30, 2007	\$ 140,648	100%
June 30, 2008	\$ 98,909	100%
June 30, 2009	\$ 74,328	100%

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

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

Note 8. Compensated Absences

At June 30, 2009, employees of the City have accumulated and vested \$70,314 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$51,101 is recorded as an obligation of the General Fund. The leave liability accounted for in the Enterprise Funds for employees of the Enterprise Funds is \$19,213. These amounts were included in accrued liabilities on the accompanying financial statements.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 9. Long-Term Debt and Capital Lease Obligations

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

Governmental Activities

As of June 30, 2009, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease

\$114,758 capital lease payable to Ford Motor Credit dated July 18, 2008, due in 12 quarterly installments of \$10,291 through April 18, 2011; with an interest rate of 5.45%.	\$ 77,500
\$111,931 capital lease payable to Ford Motor Credit dated December 12, 2007, due in 12 quarterly installments of \$10,163 through September 12, 2010; with an interest rate of 6.4%.	<u>48,466</u>
Total Governmental Activity Debt	<u>\$ 125,966</u>

As of June 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

Sewer Revenue Bonds

\$1,093,000 Series 2003 Sewer Revenue Refunding Bonds dated September 23, 2003, due in annual installments of \$60,000 - \$104,000 through March 1, 2012; interest rate is 1.70% - 3.80% (payable from a pledge of the City's sewer revenues).	<u>\$ 388,000</u>
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CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 9. Long-Term Debt and Capital Lease Obligations (Continued)

Governmental Activities (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Capital Lease Obligations	Public Improvement Bonds	Certificate of Indebtedness	Sewer Revenue	Total
Bonds and Notes					
at July 1, 2008	\$ 84,561	\$ 122,000	\$ 90,000	\$ 523,000	\$ 819,561
Issued	114,758	-	-	-	114,758
Retired	73,353	122,000	90,000	135,000	420,353
Bonds and Notes					
at June 30, 2009	<u>\$ 125,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,000</u>	<u>\$ 513,966</u>

At June 30, 2009, the City has retired the Public Improvement Bonds and the Certificate of Indebtedness. The annual requirements to amortize all bonds at June 30, 2009, are as follows:

	Business-Type Activities						
	Governmental Activities		Sewer Revenue		Total		
	Capital Lease	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 76,164	\$ 5,653	\$ 141,000	\$ 14,320	\$ 217,164	\$ 19,973	
2011	49,802	1,525	143,000	9,315	192,802	10,840	
2012	-	-	104,000	3,952	104,000	3,952	
Total	<u>\$ 125,966</u>	<u>\$ 7,178</u>	<u>\$ 388,000</u>	<u>\$ 27,587</u>	<u>\$ 513,966</u>	<u>\$ 34,765</u>	

Note 10. Dedication of Proceeds and Flow of Funds - Sales and Use Tax

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

The bond resolution requires that the proceeds of the special one percent (1%) sales and use tax now being levied and collected by the City is to be deposited with the City's fiscal agent bank in a 1982 Sales Tax Fund. After payment of all reasonable and necessary costs and expenses of collecting the tax, certain monthly payments must be made from the 1982 Sales Tax Fund to the Series 2003 Sales Tax Refunding Bonds, which must be established with the City's fiscal agent bank.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 10. Dedication of Proceeds and Flow of Funds - Sales and Use Tax (Continued)

The payments into the sinking fund were made in amounts sufficient to pay the principal and interest installments and continued monthly until March 2009, at which time the bonds were fully repaid.

Note 11. Dedication of Proceeds and Flow of Funds - Sewer Revenues

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

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

Operation and Maintenance Fund - From the Revenue Fund, the City shall pay all reasonable and necessary costs and expenses of the operating and maintaining the Sewer System.

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 11. Dedication of Proceeds and Flow of Funds - Sewer Revenues (Continued)

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

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

As of June 30, 2009, balances in the Sinking Fund and Renewal and Replacement Fund were in accordance with the bond covenants.

Note 12. Compliance with Sewer Revenue Refunding Bond Covenants

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

Rate Covenant

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

For the fiscal year ended June 30, 2009, the City was in compliance with the rate covenant.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 12. Compliance with Sewer Revenue Refunding Bond Covenants (Continued)

Rate Covenant (Continued)

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

As of June 30, 2009, the City was in compliance with this bond covenant.

Records, Accounts, and Audit Requirements

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

As of June 30, 2009, the City was in compliance with this bond covenant.

Insurance and Fidelity Bonds

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

As of June 30, 2009, the City was in compliance with this bond covenant.

Other Requirements

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

As of June 30, 2009, the City was in compliance with these other bond covenants in all material respects.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 13. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2009, are as follows:

	Due From	Due To
General Fund		
Water Enterprise Fund	\$ 40,019	\$ -
Sewer Enterprise Fund	-	35,966
Equipment Millage Fund	<u>28,023</u>	-
 Total General Fund	 68,042	35,966
 Equipment Millage Fund		
General Fund	-	28,023
 Water Enterprise Fund		
General Fund	-	40,019
 Sewer Enterprise Fund		
General Fund	<u>35,966</u>	-
 Total All Funds	 \$ 104,008	\$ 104,008

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

CITY OF PONCHATOULA, LOUISIANA**Notes to Financial Statements**

Note 14. Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the Sales Tax Funds to the particular funds for which the sales tax revenue is to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2009:

	Transfers In	Transfers Out
General Fund	\$ 3,168,378	\$ 85,708
Special Revenue Funds		
1965 Sales Tax Fund	35,414	1,393,188
1982 Sales Tax Fund	27,999	1,411,666
Fireman Pay Millage Fund	-	80,000
Policeman Pay Millage Fund	-	353,077
Debt Service Funds		
1998 Sales Tax Sinking	6,663	-
2003 Sales Tax Sinking	<u>85,185</u>	<u>-</u>
Total All Funds	<u>\$ 3,323,639</u>	<u>\$ 3,323,639</u>

Note 15. Reserved and Restricted Fund Balances/Net Assets

The City records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves and restrictions used by the City as of June 30, 2009.

Reserved/Restricted for Endowment Principal - Permanent Fund	\$ 128,465
Reserved/Restricted for Meter Deposits	(14,293)
Restricted for Debt Service	8,487
Reserved for Emergencies	<u>302,621</u>
Total	<u>\$ 425,280</u>

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 16. Ad Valorem Taxes

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

Levy Date	August 11, 2008
Millage Rates Adopted	August 11, 2008
Tax Bills Mailed	November 16, 2008
Due Date	December 31, 2008
Lien Date	January 1, 2009

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 one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 16. Ad Valorem Taxes (Continued)

For the year ended June 30, 2009, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$42,631,987 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund Purposes	6.52	6.52	\$ 277,641	-
Police Millage Fund	6.00	6.00	255,497	2020
Fire Millage Fund	2.00	2.00	85,166	2020
Equipment Millage Fund	2.00	2.00	85,166	2020
Total	16.52	16.52	\$ 703,470	

Levied taxes differ from the taxes collected because of the collection of cost, 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.

Note 17. On-Behalf Payments for Salaries and Benefits

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

Supplementary salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2009, the state paid supplemental salaries to the fire and law enforcement employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

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

	State Supplemental Salaries
Policeman Supplemental Pay	\$ 101,752
Fireman Supplemental Pay	<u>26,863</u>
Total On-Behalf Payments	<u>\$ 128,615</u>

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 18. Excess of Expenditures over Appropriations

During the year ended June 30, 2009, the General Fund's actual expenditures of \$5,434,378 exceeded the budgeted expenditures of \$5,232,995 resulting in an unfavorable variance of \$201,383.

REQUIRED SUPPLEMENTAL INFORMATION - PART II

Schedule 1

CITY OF PONCHATOULA, LOUISIANA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes	\$ 579,600	\$ 600,600	\$ 554,108	\$ (46,492)
Licenses and Permits	520,700	533,500	553,154	19,654
Intergovernmental	589,300	774,000	612,275	(161,725)
Fines and Forfeitures	140,900	231,200	211,253	(19,947)
Sanitation Service Fees	413,200	399,200	420,064	20,864
Other Revenues	100,400	69,800	86,145	16,345
Total Revenues	2,344,100	2,608,300	2,436,999	(171,301)
Expenditures				
Current				
General Government	1,102,363	1,020,160	1,019,856	304
Public Safety	2,291,927	2,370,795	2,512,304	(141,509)
Public Works	1,846,000	1,306,900	1,354,365	(47,465)
Cemetery	47,850	46,350	45,949	401
Culture and Recreation	319,700	314,700	302,204	12,496
Community Development	156,800	65,100	183,390	(118,290)
Miscellaneous Programs	36,800	17,100	16,310	790
Debt Service	93,500	91,890	-	91,890
Total Expenditures	5,894,940	5,232,995	5,434,378	(201,383)
Deficiency of Revenues Under Expenditures	(3,550,840)	(2,624,695)	(2,997,379)	(372,684)
Other Financing Sources (Uses)				
Transfers In	2,952,000	3,034,700	3,168,378	133,678
Transfers Out	-	-	(85,708)	(85,708)
Sale of Capital Assets	2,500	50,200	50,189	(11)
Capital Lease	-	-	114,758	114,758
Total Other Financing Sources (Uses)	2,954,500	3,084,900	3,247,617	162,717
Change in Fund Balance	\$ (596,340)	\$ 460,205	250,238	\$ (209,967)
Fund Balance, Beginning of Year			2,230,735	
Fund Balance, End of Year			\$ 2,480,973	

See independent auditor's report.

Schedule 2

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, 2009

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Sales Taxes	\$ 1,375,000	\$ 1,376,000	\$ 1,292,149	\$ (83,851)
Investment Interest	23,000	13,700	12,772	(928)
Total Revenues	1,398,000	1,389,700	1,304,921	(84,779)
Expenditures				
General Government				
Audit Expense	500	650	638	12
Economic Development	-	114,434	114,433	1
Collection Fees	9,000	9,000	8,400	600
Total Expenditures	9,500	124,084	123,471	613
Excess of Revenues Over Expenditures	1,388,500	1,265,616	1,181,450	(84,166)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	35,414	35,414
Operating Transfers Out	(1,380,000)	(1,380,000)	(1,393,188)	(13,188)
Total Other Financing Sources (Uses)	(1,380,000)	(1,380,000)	(1,357,774)	22,226
Change in Fund Balance	\$ 8,500	\$ (114,384)	(176,324)	\$ (61,940)
Fund Balance, Beginning of Year			1,143,813	
Fund Balance, End of Year			\$ 967,489	

See independent auditor's report.

Schedule 3

CITY OF PONCHATOULA, LOUISIANA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
1982 Sales Tax Fund
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Sales Taxes	\$ 1,375,000	\$ 1,376,000	\$ 1,292,149	\$ (83,851)
Investment Interest	16,900	12,400	11,663	(737)
Total Revenues	1,391,900	1,388,400	1,303,812	(84,588)
Expenditures				
General Government				
Audit Expense	500	600	640	(40)
Collection Fees	9,000	9,000	8,398	602
Total Expenditures	9,500	9,600	9,038	562
Excess of Revenues Over Expenditures	1,382,400	1,378,800	1,294,774	(84,026)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	27,999	27,999
Operating Transfers Out	(1,375,342)	(1,373,630)	(1,411,666)	(38,036)
Total Other Financing Sources (Uses)	(1,375,342)	(1,373,630)	(1,383,667)	(10,037)
Change in Fund Balance	\$ 7,058	\$ 5,170	(88,893)	\$ (94,063)
Fund Balance, Beginning of Year			1,173,203	
Fund Balance, End of Year			\$ 1,084,310	

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF PONCHATOULA, LOUISIANA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2009

Schedule 4

	Special Revenue				Debt Service				Permanent Fund	
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Millage Fund	FY 1998 Sales Tax Sinking Fund	Series ST Bond	Cemetery Endowment Fund	Total Non-Major Funds		
Assets										
Cash Investments	\$ 65 40,448	\$ 5,374 -	\$ 14,208 -	\$ 244,424 -	\$ - -	\$ - -	\$ 9,048 119,417	\$ 273,119 159,865		
Total Assets	\$ 40,513	\$ 5,374	\$ 14,208	\$ 244,424	\$ -	\$ -	\$ 128,465	\$ 432,984		
Liabilities and Fund Balances										
Liabilities										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 28,023	\$ -	\$ -	\$ -	\$ -	\$ 28,023
Total Liabilities	-	-	-	-	28,023	-	-	-	-	28,023
Fund Balance										
Reserved for Cemetery Endowment										
Unreserved, Undesignated	40,513	5,374	14,208	216,401	-	-	128,465	128,465		
Total Fund Balance	40,513	5,374	14,208	216,401	-	-	128,465	128,465		
Total Liabilities and Fund Balance	\$ 40,513	\$ 5,374	\$ 14,208	\$ 244,424	\$ -	\$ -	\$ 128,465	\$ 432,984		

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

Schedule 5

	Special Revenue				Debt Service			Permanent Fund	
	Mausoleum Trust Fund	Fireman Pay Millage Fund	Policeman Pay Millage Fund	Equipment Fund	FY 1998	Sales Tax Sinking Fund	Series ST Bond Sinking Fund	Cemetery Endowment Fund	Total Non-Major Funds
Revenues									
Ad Valorem Taxes	\$ -	\$ 85,622	\$ 256,866	\$ 85,622	\$ -	\$ -	\$ -	\$ -	\$ 428,110
Investment Interest	491	390	819	1,276	261	335	1,505	5,077	
Total Revenues	491	86,012	257,685	86,898	261	335	1,505	433,187	
Expenditures									
Current	-	638	639	638	-	-	225	-	2,140
General Government	-	-	-	63,294	-	-	-	-	63,294
Public Safety	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	90,000	122,000	-	-	212,000
Principal	-	-	-	-	1,305	3,343	-	-	4,648
Interest	-	-	-	-	-	-	-	-	
Total Expenditures	-	638	639	63,932	91,305	125,568	-	282,082	
Excess (Deficiency) of Revenues Over Expenditures									
	491	85,374	257,046	22,966	(91,044)	(125,233)	1,505	151,105	
Other Financing Sources (Uses)									
Transfers In	-	-	-	-	-	-	-	-	91,848
Transfers Out	-	(80,000)	(353,077)	-	-	-	-	-	(433,077)
Total Other Financing Sources (Uses)	-	(80,000)	(353,077)	-	6,663	85,185	-	(341,229)	
Change in Fund Balance									
Fund Balance, Beginning of Year	491	5,374	(96,031)	22,966	(84,381)	(40,048)	1,505	(190,124)	
Fund Balance, End of Year	40,022	-	110,239	193,435	84,381	40,048	126,980	595,085	
Fund Balance, End of Year	\$ 40,513	\$ 5,374	\$ 14,208	\$ 216,401	\$ -	\$ -	\$ 128,465	\$ 404,961	

See independent auditor's report.

Schedule 6

CITY OF PONCHATOULA, LOUISIANA
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2009

Name and Address	Position	Term of Office	Salary
Robert F. Zabbia 211 North Seventh Street Ponchatoula, LA 70454 (985) 386-9768	Mayor	July 1, 2008 - June 30, 2012	\$ 64,369 *
Bry Layrisson 15 Weldon Circle Ponchatoula, LA 70454 (985) 386-5294	Chief of Police	July 1, 2008 - June 30, 2012	70,606 **
Braville LeBlanc 132 Braville Street Ponchatoula, LA 70454 (985) 386-0938	City Council District A	July 1, 2008 - June 30, 2012	6,000
Dave Higgenbotham 333 N. Baronne Street Ponchatoula, LA 70454 (985) 386-4895	City Council District B	July 1, 2008 - June 30, 2012	6,000
Jeannemarie Pierson 301 South Eighth Street Ponchatoula, LA 70454 (985) 386-6461	City Council District C	July 1, 2008 - June 30, 2012	6,000
Robert Elzy *** 511 S.E. Railroad Avenue Ponchatoula, LA 70454 (985) 386-5257	City Council District D	July 1, 2008 - June 30, 2012	6,000
Vergil J. Sandifer 485 East Cypress Street Ponchatoula, LA 70454 (985) 386-8373	City Council District E	July 1, 2008 - June 30, 2012	<u>6,000</u>
			<u>\$ 164,975</u>

* Including benefits and vehicle allowance.

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

*** Suspended from office subsequent to year end.

See independent auditor's report.

OTHER REPORTS \



**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. Zabia, Mayor
and the Members of the City Council
City of Ponchatoula, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the City of Ponchatoula, Louisiana's basic financial statements and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ponchatoula, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ponchatoula, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Ponchatoula, Louisiana's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Ponchatoula, Louisiana, in a separate letter dated October 27, 2009.

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



A Professional Accounting Corporation

October 27, 2009



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

During our audit we became aware of matters that may result in opportunities to increase operating efficiency. These matters are described in the Schedule of Findings and Responses as items 2009-1 and 2009-2.

The City's response to the matters identified during our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, express no opinion on it.

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

Laporte, Sehrt, Romig & Hand
A Professional Accounting Corporation

October 27, 2009

CITY OF PONCHATOULA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2009

Management Letter Comment

2009-1 City Vehicle Policy

Criteria: The preparation, maintenance and enforcement of written procedures over the personal use of city vehicles is very useful to the following:

- Establish consistent usage practices.
- Aid in review by management for adherence to City policies.
- Provide the City with a source of usage information.

Condition: We noted that there is no written policy outlining the personal use of City vehicles by City employees.

Cause/Effect: Without a written policy, management cannot establish consistent usage practices, adequately track usage information, or determine adherence to procedures by City employees.

Recommendation: We recommend management establish and enforce a written policy outlining the personal use of City vehicles by all City employees. Management should periodically review each department's compliance with the policy.

Management Response: Management is aware of the problem and considers the proper development and documentation of policies and procedures to be a priority. Management has commenced work to document and enforce a written policy. We expect this to be completed no later than December 31, 2009.

2009-2 Ticket Procedures

Criteria: Proper accounting for traffic tickets/citations is important to ensure:

- Collection of traffic fees or appropriate action for non-payment is taken.
- Compliance with Louisiana laws.
- Misappropriation of assets or fraud does not occur.

Condition: We noted that there are no written procedures over traffic ticket/citations. There is no cumulative record of ticket books issued to officers, and there is no cumulative record of citations issued.

CITY OF PONCHATOULA, LOUISIANA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2009

Management Letter Comment (Continued)

2009-2 Ticket Procedures (Continued)

Cause/Effect: Without adequate documentation, management will be unable to ensure the proper disposition of traffic tickets/citations, compliance with Louisiana laws is maintained, or misappropriation of assets or fraud does not occur.

Recommendation: We recommend management establish and enforce a written policy outlining the documentation policies and procedures over traffic tickets/citations. Management should periodically review the compliance with the policy to ensure the documentation is maintained. We also recommend that the Police department maintain a record of ticket books issued to each officer that requires a signature of the officer at issuance. We also recommend that the Police department maintain a log of all citations issued. This log should then be reviewed by City Court personnel to ensure that no tickets are reduced or dismissed "outside" of court.

Management Response: Management is aware of the problem regarding traffic tickets/citations documentation. Management considers the maintenance of proper documentation to be a priority. Management will develop a written policy outlining the policies and procedures over documentation over traffic tickets/citations. We expect this to be completed no later than December 31, 2009.