

**CITY OF PONCHATOULA,
LOUISIANA**

Annual Financial Statements

For the Year Ended June 30, 2018



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ponchatoula, Louisiana (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison information on pages 59 and 60, the schedule of the City's proportionate share of the net pension liability on page 61, and the schedule of the City's contributions to defined benefit pension plans on page 62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance..

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ponchatoula, Louisiana's basic financial statements. The combining non-major fund financial statements (Schedules 5 and 6), the schedule of compensation of paid elected officials (Schedule 7), and the schedule of compensation, benefits, and other payments to agency head (Schedule 8) are presented for purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2018, on our consideration of the City of Ponchatoula, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
October 28, 2018

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

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, 2018. This Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is designed to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short and long-term activities of the City based on information presented in this financial report, as well as fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

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

Overview of the Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

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

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

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

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

Government-Wide Financial Analysis

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

	2018	2017	\$ Change	% Change
Assets				
Current and Other Assets	\$ 10,334,206	\$ 10,739,491	\$ (405,285)	-3.77%
Capital Assets	18,983,468	18,843,500	139,968	0.74%
Total Assets	29,317,674	29,582,991	(265,317)	-0.90%
Deferred Outflows of Resources	1,697,273	2,055,592	(358,319)	-17.43%
Liabilities				
Current Liabilities	1,163,775	915,963	247,812	27.05%
Long-Term Liabilities	11,796	57,425	(45,629)	-79.46%
Net Pension Liability	5,222,140	5,411,091	(188,951)	-3.49%
Total Liabilities	6,397,711	6,384,479	13,232	0.21%
Deferred Inflows of Resources	180,211	145,453	34,758	23.90%
Net Position				
Net Investment in Capital Assets	18,926,043	18,786,075	139,968	0.75%
Restricted Net Position	2,844,697	2,653,599	191,098	7.20%
Unrestricted Net Position	2,666,285	3,668,977	(1,002,692)	-27.33%
Total Net Position	\$ 24,437,025	\$ 25,108,651	\$ (671,626)	-2.67%

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$24,437,025 (*net position*), a decrease of \$671,626 over last year. Of the total amount, \$2,666,285 is unrestricted net position. The City's net position is comprised of \$11,409,229 from governmental activities and \$13,027,796 from business-type activities, as shown on Statement A.

By far the largest portion of the City's net position (77%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,666,285 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

	2018	2017	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for Services	\$ 2,169,156	\$ 2,265,465	\$ (96,309)	-4.25%
Grants and Contributions	-	1,030,832	(1,030,832)	-100.00%
General Revenues:				
Taxes	6,006,078	5,927,568	78,510	1.32%
Other	1,769,021	1,784,732	(15,711)	-0.88%
Total Revenues	9,944,255	11,008,597	(1,064,342)	-9.67%
Expenses				
Governmental Activities	8,409,451	7,416,621	992,830	13.39%
Business-Type Activities	2,206,430	1,380,442	825,988	59.84%
Total Expenses	10,615,881	8,797,063	1,818,818	20.68%
Change in Net Position	(671,626)	2,211,534	(2,883,160)	-130.37%
Net Position - Beginning of the Year, Originally Stated	25,108,651	22,793,529	2,315,122	10.16%
Prior Period Adjustment	-	103,588	(103,588)	-100.00%
Net Position - Beginning of the Year, Restated	25,108,651	22,897,117	2,211,534	9.66%
Net Position - End of the Year	\$ 24,437,025	\$ 25,108,651	\$ (671,626)	-2.67%

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

To further understand what makes up the changes in net position, the above 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.

Sales Taxes increased by \$45,587. Other general revenues decreased by \$15,711.

Governmental Activities

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

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

Governmental Expenditures	Amount	Percentage
General Government	\$ 1,548,576	18.41%
Public Safety	4,097,500	48.72%
Public Works	2,191,320	26.06%
Cemetery	35,303	0.42%
Culture and Recreation	298,122	3.55%
Community Development	96,072	1.14%
Public Transportation	42,113	0.50%
Miscellaneous Programs	95,833	1.14%
Debt Service Interest	4,612	0.05%
Total Governmental Activities	\$ 8,409,451	100.00%

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

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

Governmental Revenues	Amount	Percentage
Sales Taxes	\$ 5,106,654	67.97%
Property Taxes	899,424	11.97%
Licenses, Permits, and Fees	916,290	12.20%
Intergovernmental Revenues	213,351	2.84%
Miscellaneous	362,320	4.82%
Gain / (Loss) on Disposition of Assets	15,140	0.20%
Total Governmental Activities	\$ 7,513,179	100.00%

Sales taxes are the largest revenue source for the City comprising 68% of total general governmental revenue. Property taxes are the second largest revenue source for the City accounting for 12% of total general governmental revenue.

For the year ended June 30, 2018, taxes of 16.52 mills were levied on property inside of the City limits. An original 10-mill tax was passed in 1990 to be used for policemen pay, firemen pay, and to purchase equipment for both departments.

	2018 Taxes		2017 Taxes	
	Levied	Mills	Levied	Mills
General Fund	\$ 354,913	6.52	\$ 342,880	6.52
Policemen Pay Millage Fund	326,671	6.00	315,534	6.00
Firemen Pay Millage Fund	108,920	2.00	105,178	2.00
Equipment Millage Fund	108,920	2.00	105,178	2.00
Total Property Taxes Levied	\$ 899,424	16.52	\$ 868,770	16.52

Business-Type Activities

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

Charges for Services	Sewer	Water
Fiscal Year Ended June 30, 2018	\$ 973,142	\$ 379,187
Fiscal Year Ended June 30, 2017	947,269	349,225
Increase Between Years	\$ 25,873	\$ 29,962

Operating Expenses	Sewer	Water
Fiscal Year Ended June 30, 2018	\$ 1,571,457	\$ 634,973
Fiscal Year Ended June 30, 2017	898,945	481,497
Increase Between Years	\$ 672,512	\$ 153,476

Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

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

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

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and 1965 Sales Tax Fund, which are considered to be major funds. Data from the other governmental funds (Mausoleum Trust Fund, Firemen Pay Millage Fund, Policemen Pay Millage Fund, Equipment Millage Fund, and Cemetery Endowment Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on Statements C and E of this report. The summary of the non-major funds is found on Schedules 3 and 4.

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,449,651, a decrease of \$401,950 over June 30, 2017. In the General Fund, the unassigned fund balance is \$3,548,765, as shown on Statement C.

At June 30, 2018, the City had a fund balance of \$2,641,578 in the 1965 Sales Tax Fund to provide for constructing, acquiring, extending, improving, and/or maintaining drainage facilities, streets, sidewalks, public buildings; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements, and facilities; and maintaining and operating garbage collection facilities.

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

Fund Balance in the City's Major Funds:

Fund Balance Date	General Fund	1965 Sales Tax Fund
June 30, 2018	\$ 3,548,765	\$ 2,641,578
June 30, 2017	4,198,002	2,387,533
Change in Fund Balance	\$ (649,237)	\$ 254,045

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Other Supplementary Information portion of this report, beginning on Schedule 3.

- 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.

NOTES TO FINANCIAL STATEMENTS

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

Management's Discussion and Analysis

SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and certain other supplementary information. Required supplementary information can be found on Schedules 1, 2, 3, and 4 of this report.

- A. Budgetary Comparison Information - The City adopts an annual appropriated budget for its general fund, sales tax fund, and millage funds for police and fire department pay, as well as for equipment for both departments. A budgetary comparison statement has been provided for the City's major funds to demonstrate compliance, on Schedules 1 and 2.

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

- Intergovernmental revenues were decreased by \$542,200 due to grant revenues expected, but not yet received.
- Public Works expenditures were decreased by \$1,320,863 due to a decrease in expected expenditures in street overlay and sidewalk projects.

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

- B. Combining Statements of the Non-Major Governmental Funds - Special Revenue Funds (Mausoleum Trust Fund, Firemen Pay Millage Fund, Policemen Pay Millage Fund, and Equipment Millage Fund), and the Permanent Fund (Cemetery Endowment) have been provided beginning on Schedules 5 and 6.

Capital Asset and Debt Administration

CAPITAL ASSETS

The City's capital assets, net of accumulated depreciation, as of June 30, 2018, in its governmental activities is \$8,590,284 and in business-type activities is \$10,393,184, which totals \$18,983,468 for the City. Capital assets include land, construction in progress, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City's capital assets for the current fiscal year was a \$285,303 increase for governmental activities and a \$145,335 decrease for business-type activities.

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

- Law Enforcement Complex
- Phase II and III of Wastewater Treatment Project

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

CITY OF PONCHATOULA, LOUISIANA
For the Year Ended June 30, 2018

Management's Discussion and Analysis

LONG-TERM DEBT

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

CAPITAL LEASES

At the end of the current fiscal year, the City had capital lease outstanding of \$57,425. The entire amount of the leases was used to purchase new police vehicles. Additional information concerning this lease can be found in Note 10.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2019 fiscal year:

- Again, as in the past, sales tax collections are the City's largest revenue source. In reviewing fiscal year 2018's collections, it was noted that overall receipts were \$5,106,654. Projected collections for fiscal year 2019 are \$5,130,200.
- During the budget planning process, funds have been designated for certain capital outlays. Those outlays include funds for continued improvements to the City's sewer and water infrastructure.
- Also included for Capital Improvements were: funding for Phase III of the Pedestrian Sidewalk - North 5th to Wayne St project, renovations of the new Law Enforcement Complex, and LED lighting for Hwy 55, Hwy 22 East, and Hwy 51.
- The City budgeted additional money for City Hall parking, a new mechanic shop, renovations to Tower Rd water tank, and street overlays.

Requests for Information

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

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

CITY OF PONCHATOULA, LOUISIANA
Statement of Net Position
June 30, 2018

Statement A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 4,035,037	\$ 2,594,808	\$ 6,629,845
Investments	2,067,716	178,140	2,245,856
Receivables, Net	1,025,199	109,192	1,134,391
Internal Balances	77,883	(77,883)	-
Restricted Cash and Cash Equivalents	-	111,389	111,389
Restricted Investments	-	212,725	212,725
Capital Assets, Net	8,590,284	10,393,184	18,983,468
Total Assets	15,796,119	13,521,555	29,317,674
Deferred Outflows of Resources			
Deferred Outflows - Pension Related	1,611,589	85,684	1,697,273
Liabilities			
Accounts Payable	552,927	-	552,927
Accrued Liabilities	203,257	36,464	239,721
Non-Current Liabilities:			
Due Within One Year	45,629	-	45,629
Due in More Than One Year	11,796	-	11,796
Payable from Restricted Assets:			
Utility Meter Deposits	-	325,498	325,498
Net Pension Liability	5,010,138	212,002	5,222,140
Total Liabilities	5,823,747	573,964	6,397,711
Deferred Inflows of Resources			
Deferred Inflows - Pension Related	174,732	5,479	180,211
Net Position			
Net Investment in Capital Assets	8,532,859	10,393,184	18,926,043
Restricted for:			
Cemetery / Mausoleum	28,607	-	28,607
Dedicated Sales Tax Usage	2,641,578	-	2,641,578
Dedicated Ad Valorem Tax Usage	174,512	-	174,512
Unrestricted	31,673	2,634,612	2,666,285
Total Net Position	\$ 11,409,229	\$ 13,027,796	\$ 24,437,025

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

CITY OF PONCHATOULA, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2018

Statement B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 1,548,576	\$ -	\$ -	\$ -	\$ (1,548,576)	\$ -	\$ (1,548,576)
Public Safety	4,097,500	235,300	-	-	(3,862,200)	-	(3,862,200)
Public Works	2,191,320	581,527	-	-	(1,609,793)	-	(1,609,793)
Cemetery	35,303	-	-	-	(35,303)	-	(35,303)
Culture and Recreation	298,122	-	-	-	(298,122)	-	(298,122)
Community Development	96,072	-	-	-	(96,072)	-	(96,072)
Public Transportation	42,113	-	-	-	(42,113)	-	(42,113)
Miscellaneous Programs	95,833	-	-	-	(95,833)	-	(95,833)
Debt Service Interest	4,612	-	-	-	(4,612)	-	(4,612)
Total Governmental Activities	8,409,451	816,827	-	-	(7,592,624)	-	(7,592,624)
Business-Type Activities							
Sewer	1,571,457	973,142	-	-	-	(598,315)	(598,315)
Water	634,973	379,187	-	-	-	(255,786)	(255,786)
Total Business-Type Activities	2,206,430	1,352,329	-	-	-	(854,101)	(854,101)
Total	\$10,615,881	\$ 2,169,156	\$ -	\$ -	(7,592,624)	(854,101)	(8,446,725)
General Revenues							
Sales Taxes					5,106,654	-	5,106,654
Property Taxes					899,424	-	899,424
Licenses, Permits, and Fees					916,290	-	916,290
Intergovernmental Revenues					213,351	-	213,351
Miscellaneous					362,320	35,249	397,569
Revenue from Non-Employer Contributions					204,142	22,529	226,671
Gain (Loss) on Disposition of Assets					15,140	-	15,140
Transfers In (Out)					(400,000)	400,000	-
Total General Revenues and Transfers					7,317,321	457,778	7,775,099
Change in Net Position					(275,303)	(396,323)	(671,626)
Net Position - Beginning of the Year					11,684,532	13,424,119	25,108,651
Net Position - End of the Year					\$ 11,409,229	\$ 13,027,796	\$ 24,437,025

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

CITY OF PONCHATOULA, LOUISIANA
Balance Sheet
Governmental Funds
June 30, 2018

Statement C

	General Fund	Special Revenue Fund 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 2,487,983	\$ 1,388,856	\$ 158,198	\$ 4,035,037
Investments	1,188,411	809,874	69,431	2,067,716
Receivables, Net				
Sales Taxes	445,745	445,745	-	891,490
Franchise Taxes	64,670	-	-	64,670
Garbage Collection Fees, Net	57,354	-	-	57,354
Other Receivables	11,685	-	-	11,685
Due from Other Funds	77,883	-	31,679	109,562
Total Assets	\$ 4,333,731	\$ 2,644,475	\$ 259,308	\$ 7,237,514
Liabilities				
Accounts Payable	\$ 550,030	\$ 2,897	\$ -	\$ 552,927
Accrued Liabilities	203,257	-	-	203,257
Due to Other Funds	31,679	-	-	31,679
Total Liabilities	784,966	2,897	-	787,863
Fund Balances				
Nonspendable	-	-	56,189	56,189
Restricted, Reported in				
Special Revenue Funds	-	2,641,578	203,119	2,844,697
Unassigned	3,548,765	-	-	3,548,765
Total Fund Balances	3,548,765	2,641,578	259,308	6,449,651
Total Liabilities and Fund Balances	\$ 4,333,731	\$ 2,644,475	\$ 259,308	\$ 7,237,514

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

CITY OF PONCHATOULA, LOUISIANA
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2018

Statement D

Fund Balances - Total Governmental Funds	\$ 6,449,651
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental Capital Assets	20,489,731
Less: Accumulated Depreciation	(11,899,447)

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	(57,425)
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability	(5,010,138)
Deferred Outflows of Resources	1,611,589
Deferred Inflows of Resources	<u>(174,732)</u>

Net Position of Governmental Activities	<u><u>\$ 11,409,229</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PONCHATOULA, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Statement E

	General Fund	Special Revenue Fund 1965 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales Taxes	\$ 2,553,327	\$ 2,553,327	\$ -	\$ 5,106,654
Property Taxes	360,184	-	539,240	899,424
Intergovernmental Revenue	213,351	-	-	213,351
Licenses and Permits	632,842	-	-	632,842
Sanitation Service Fees	581,527	-	-	581,527
Franchise Fees	283,448	-	-	283,448
Fines and Forfeitures	235,300	-	-	235,300
Other Revenues	285,830	-	-	285,830
Interest Income	46,131	27,270	3,089	76,490
Total Revenues	5,191,940	2,580,597	542,329	8,314,866
Expenditures				
Current				
General Government	1,385,230	16,552	-	1,401,782
Public Safety	4,161,105	-	74,051	4,235,156
Public Works	1,930,130	-	-	1,930,130
Cemetery	35,303	-	-	35,303
Culture and Recreation	464,423	-	-	464,423
Community Development	85,386	-	-	85,386
Public Transportation	42,113	-	-	42,113
Miscellaneous Programs	94,352	-	-	94,352
Debt Service	-	-	47,836	47,836
Total Expenditures	8,198,042	16,552	121,887	8,336,481
Excess (Deficiency) of Revenues Over Expenditures	(3,006,102)	2,564,045	420,442	(21,615)
Other Financing Sources (Uses)				
Proceeds from Sale	19,665	-	-	19,665
Transfers In	2,737,200	-	-	2,737,200
Transfers Out	(400,000)	(2,310,000)	(427,200)	(3,137,200)
Total Other Financing Sources (Uses)	2,356,865	(2,310,000)	(427,200)	(380,335)
Net Change in Fund Balances	(649,237)	254,045	(6,758)	(401,950)
Fund Balances, Beginning of Year	4,198,002	2,387,533	266,066	6,851,601
Fund Balances, End of Year	\$ 3,548,765	\$ 2,641,578	\$ 259,308	\$ 6,449,651

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

CITY OF PONCHATOULA, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2018

Statement F

Net Change in Fund Balances - Total Governmental Funds	\$ (401,950)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation charged in the current period.	285,303
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities.	(201,880)
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The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>43,224</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (275,303)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PONCHATOULA, LOUISIANA
Statements of Net Position
Proprietary Funds
June 30, 2018 and 2017

Statement G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2018	2017
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 2,014,414	\$ 580,394	\$ 2,594,808	\$ 2,800,225
Investments	77,746	99,010	176,756	177,073
Accounts Receivable, Net	80,393	28,799	109,192	127,167
Due from Other Funds	1,237	-	1,237	18,050
Total Current Assets	2,173,790	708,203	2,881,993	3,122,515
Restricted Assets				
Cash and Cash Equivalents				
Water Fund - Meter Deposits	-	111,389	111,389	104,170
Investments				
Water Fund - Meter Deposits	-	214,109	214,109	209,806
Total Restricted Assets	-	325,498	325,498	313,976
Capital Assets				
Property, Plant, and Equipment, at Cost	10,910,061	6,273,982	17,184,043	16,789,674
Less: Accumulated Depreciation	(4,992,932)	(2,022,690)	(7,015,622)	(6,488,146)
Land	3,170	221,593	224,763	224,763
Construction in Progress	-	-	-	12,228
Total Capital Assets	5,920,299	4,472,885	10,393,184	10,538,519
Total Assets	8,094,089	5,506,586	13,600,675	13,975,010
Deferred Outflows of Resources				
Deferred Outflows - Pension Related	59,279	26,405	85,684	84,701
Liabilities				
Current Liabilities (Payable from Current Assets)				
Accounts Payable	-	-	-	23,017
Accrued Liabilities	30,586	5,878	36,464	12,617
Due to Other Funds	58,125	20,995	79,120	71,730
Total Current Liabilities (Payable from Current Assets)	88,711	26,873	115,584	107,364
Current Liabilities (Payable from Restricted Assets)				
Meter Deposits	-	325,498	325,498	313,976
Total Current Liabilities (Payable from Restricted Assets)	-	325,498	325,498	313,976
Net Pension Liability	146,671	65,331	212,002	209,454
Total Liabilities	235,382	417,702	653,084	630,794
Deferred Inflows of Resources				
Deferred Inflows - Pension Related	3,791	1,688	5,479	4,798
Net Position				
Net Investment in Capital Assets	5,920,299	4,472,885	10,393,184	10,538,519
Unrestricted	1,993,896	640,716	2,634,612	2,885,600
Total Net Position	\$ 7,914,195	\$ 5,113,601	\$ 13,027,796	\$ 13,424,119

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

CITY OF PONCHATOULA, LOUISIANA
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Years Ended June 30, 2018 and 2017

Statement H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2018	2017
Operating Revenues				
Charges for Services	\$ 973,142	\$ 379,187	\$ 1,352,329	\$ 1,296,494
Total Operating Revenues	973,142	379,187	1,352,329	1,296,494
Operating Expenses				
Depreciation and Amortization	367,859	159,617	527,476	439,732
Salaries and Employee Benefits	220,456	100,747	321,203	268,120
Repairs and Maintenance	790,247	184,295	974,542	240,434
Utilities and Telephone	105,822	65,218	171,040	278,575
Supplies	17,563	46,491	64,054	51,405
Professional Fees	9,631	4,939	14,570	31,163
Environmental Testing	23,503	36,155	59,658	35,912
Insurance	17,168	17,013	34,181	30,376
Vehicle Expense	4,732	2,094	6,826	1,544
Bad Debt	-	15,000	15,000	-
Miscellaneous	14,476	3,404	17,880	3,181
Total Operating Expenses	1,571,457	634,973	2,206,430	1,380,442
Operating Loss	(598,315)	(255,786)	(854,101)	(83,948)
Non-Operating Revenues (Expenses)				
Investment Income	26,321	8,928	35,249	20,932
Capital Grants	-	-	-	1,000,000
Transfers In/Out	100,000	300,000	400,000	406,281
Revenue from Non-Employer Contributions	19,207	3,322	22,529	6,221
Total Non-Operating Revenues (Expenses)	145,528	312,250	457,778	1,433,434
Change in Net Position	(452,787)	56,464	(396,323)	1,349,486
Net Position, Beginning of Year, Originally Stated	8,366,982	5,057,137	13,424,119	11,971,045
Prior Period Adjustment	-	-	-	103,588
Net Position, Beginning of Year, Restated	8,366,982	5,057,137	13,424,119	12,074,633
Net Position, End of Year	\$ 7,914,195	\$ 5,113,601	\$ 13,027,796	\$ 13,424,119

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

CITY OF PONCHATOULA, LOUISIANA
Statements of Cash Flows
Proprietary Funds
For the Years Ended June 30, 2018 and 2017

Statement I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2018	2017
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 977,800	\$ 389,026	\$ 1,366,826	\$ 1,269,633
Payments to Suppliers	(1,006,159)	(359,609)	(1,365,768)	(649,573)
Payments to Employees	(187,644)	(96,687)	(284,331)	(247,504)
Net Cash Provided by (Used in) Operating Activities	(216,003)	(67,270)	(283,273)	372,556
Cash Flows from Noncapital Financing Activities				
Interfund Transfers and Borrowings	151,733	281,300	433,033	408,221
Net Cash Provided by Noncapital Financing Activities	151,733	281,300	433,033	408,221
Cash Flows from Capital and Related Financing Activities				
Construction of Capital Assets	(335,420)	(46,720)	(382,140)	(1,537,156)
Capital Grants	-	-	-	1,000,000
Net Cash Used in Capital and Related Financing Activities	(335,420)	(46,720)	(382,140)	(537,156)
Cash Flows from Investing Activities				
Interest Earned on Investments	26,321	8,928	35,249	20,932
Sale (Purchase) of Investments, Net	(1,067)	-	(1,067)	(1,933)
Net Cash Provided by Investing Activities	25,254	8,928	34,182	18,999
Net Increase (Decrease) in Cash	(374,436)	176,238	(198,198)	262,620
Cash and Cash Equivalents - Beginning of the Year	2,388,850	515,545	2,904,395	2,641,775
Cash and Cash Equivalents - End of the Year	\$ 2,014,414	\$ 691,783	\$ 2,706,197	\$ 2,904,395
Reconciliation of Cash Accounts				
Unrestricted Cash and Cash Equivalents	\$ 2,014,414	\$ 580,394	\$ 2,594,808	\$ 2,800,225
Restricted Cash and Cash Equivalents	-	111,389	111,389	104,170
Cash and Cash Equivalents - End of the Year	\$ 2,014,414	\$ 691,783	\$ 2,706,197	\$ 2,904,395

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

CITY OF PONCHATOULA, LOUISIANA
Statements of Cash Flows
Proprietary Funds
For the Years Ended June 30, 2018 and 2017

Statement I (Continued)

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2018	2017
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Operating Loss	\$ (598,315)	\$ (255,786)	\$ (854,101)	\$ (83,948)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Depreciation and Amortization	367,859	159,617	527,476	439,732
Bad Debt	-	15,000	15,000	-
Pension Expense Adjustments for Net Pension Liability Calculation	14,093	(1,068)	13,025	12,933
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable, Net	4,658	(1,683)	2,975	(32,414)
Increase (Decrease) in Accounts Payable	(23,017)	-	(23,017)	23,017
Increase (Decrease) in Accrued Liabilities	18,719	5,128	23,847	7,683
Increase (Decrease) in Meter Deposits	-	11,522	11,522	5,553
Net Cash Provided by (Used in) Operating Activities	\$ (216,003)	\$ (67,270)	\$ (283,273)	\$ 372,556

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 2010, is 6,559. The City currently services approximately 2,800 commercial and residential utility customers. The City provides the following services: public safety (police and fire), streets, drainage, sanitation, culture/recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer utilities. The City presently maintains 44 miles of roads and streets.

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

Reporting Entity

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

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

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

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

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

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

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

Basic Financial Statements - Fund Financial Statements

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Fund Financial Statements (Continued)

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

The government-wide statements of net position 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 net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

Budgets and Budgetary Accounting

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

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

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, 2018, 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, 2018 on June 12, 2017.
- 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, 2018, was adopted on June 12, 2017.
- Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the City Council. The budget for the year ended June 30, 2018, was amended on June 11, 2018.
- Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
- The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General and 1965 Sales Tax Funds present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 equivalents. Investments are stated at fair value using published market values.

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

Short-Term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from/due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. 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, 2018, as the amount is immaterial.

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, 2018, was immaterial.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

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.

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

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

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

Net Position – In the Government-Wide and Proprietary Fund Statements, net position is displayed in three components:

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Accounts (Continued)

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.

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

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

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

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 receipt by the School Board.

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

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 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

Government Accounting Standards Board Statement No. 85 (GASB 85)

The objective of GASB Statement No. 85, *Omnibus 2017*, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management is still evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 87 (GASB 87)

The objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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 Balance

As of June 30, 2018, no City funds had deficit fund balances.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 3. Cash and Cash Equivalents

At June 30, 2018, the City had \$6,741,234 (book balance) in interest-bearing demand deposits as follows: cash and cash equivalents of \$6,629,845 and restricted cash and cash equivalents of \$111,389. These deposits are stated at cost, which approximates market.

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.

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, 2018, \$6,646,767 of the City's bank balance of \$6,900,045 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.

Note 4. Investments

At June 30, 2018, the City had investments which include \$2,062,427 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool, and \$396,154 in other securities. The following table provides information on the credit ratings, maturity dates, and fair values associated with the City's investments at June 30, 2018:

Investment	Rating	Maturity	Fair Value
FHLB Bond	AAAm	09/30/21	\$ 296,411
FHLMC Med Term NTS Step	AAAm	03/30/21	99,743
LAMP	AAA/Aaa/AAA	N/A	<u>2,062,427</u>
Total			<u><u>\$ 2,458,581</u></u>

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Of the City's investments, \$396,154 has maturities of one to five years.

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

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the City's name. The City has a formal investment policy regarding investment credit risk and the investments of the City owned at June 30, 2018 were not subject to custodial credit risk.

Concentration of Credit Risk: The City has a formal limit on the amount the City may invest in any one issuer. It is the policy of the City to diversify its investment portfolios. Assets shall be diversified to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Issuers comprising 5% or more of the City's investments at June 30, 2018, were LAMP at 84% and FHLB Notes at 16%.

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

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. LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79.

The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The City's investment is with the pool, not the securities that make up the pool; therefore, no public disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days or two years (762 days) for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 28 days as of August 31, 2017.
- Foreign currency risk: Not applicable.

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 5. Fair Value

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

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

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

At June 30, 2018, the City's investments in US Agency Obligations with a fair market value of \$396,154 are categorized at level 2. The City's \$2,062,427 investment in LAMP is categorized as an investment measured at net asset value.

Note 6. Accounts Receivable

At June 30, 2018, the City had the following utility receivables and corresponding allowance for doubtful accounts:

	Governmental Funds	Proprietary Funds	
	General Fund	Sewer	Water
Utility Receivable	\$ 140,047	\$ 164,466	\$ 44,728
Less: Allowance for Doubtful Accounts	(82,693)	(84,073)	(15,929)
Utility Receivable, Net	\$ 57,354	\$ 80,393	\$ 28,799

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the fiscal year ended June 30, 2018.

	Balance 06/30/17	Increases	Decreases	Transfers	Balance 06/30/18
Capital Assets Not Depreciated					
Land	\$ 575,113	\$ -	\$ -	\$ -	\$ 575,113
Construction in Progress	473,563	656,236	-	(681,997)	447,802
Total Capital Assets Not Depreciated	1,048,676	656,236	-	(681,997)	1,022,915
Capital Assets Depreciated					
Building Official	28,442	4,158	(21,092)	31,502	43,010
City Hall	1,470,479	13,514	(4,673)	(61,330)	1,417,990
Civil Defense	16,890	-	(15,800)	-	1,090
Community Center	1,240,651	-	(1,000)	-	1,239,651
Executive (Mayor)	15,596	-	-	-	15,596
Fire	855,176	42,056	(1,017)	-	896,215
Hickory Park	-	-	-	681,997	681,997
Industrial Park	427,449	-	-	-	427,449
Judicial	39,044	-	(3,684)	-	35,360
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	89,407	-	-	-	89,407
Parks	639,966	21,900	-	-	661,866
Police	2,151,726	181,972	(117,095)	-	2,216,603
Public Works	107,512	-	(1,150)	-	106,362
Building - Sanitation	75,968	-	-	-	75,968
Streets and Roadways	2,027,408	153,846	(17,011)	29,828	2,194,071
Youth Alliance	1,050	1,238	-	-	2,288
Infrastructure	9,360,618	-	-	-	9,360,618
Total Capital Assets Depreciated	18,548,657	418,684	(182,522)	681,997	19,466,816
Less Accumulated Depreciation					
Building Official	17,621	6,799	(17,719)	14,121	20,822
City Hall	787,084	66,296	(4,671)	(32,018)	816,691
Civil Defense	16,890	-	(15,800)	-	1,090
Community Center	1,034,086	29,612	(1,000)	-	1,062,698
Executive (Mayor)	9,279	960	-	-	10,239
Fire	346,397	42,980	(1,017)	-	388,360
Hickory Park	-	3,421	-	-	3,421
Industrial Park	254,942	10,686	-	-	265,628
Judicial	38,481	260	(3,684)	-	35,057
Main Street Program	1,275	-	-	-	1,275
Miscellaneous Programs	53,505	2,719	-	-	56,224
Parks	376,419	30,584	-	-	407,003
Police	851,129	165,551	(117,095)	-	899,585
Public Works	59,919	2,383	-	(1,150)	61,152
Building - Sanitation	30,861	1,899	-	-	32,760
Streets and Roadways	1,034,483	99,039	(17,011)	19,047	1,135,558
Youth Alliance	18	416	-	-	434
Infrastructure	6,379,963	321,487	-	-	6,701,450
Total Accumulated Depreciation	11,292,352	785,092	(177,997)	-	11,899,447
Net Capital Assets Depreciated	7,256,305	(366,408)	(4,525)	681,997	7,567,369
Net Governmental Capital Assets	\$ 8,304,981	\$ 289,828	\$ (4,525)	\$ -	\$ 8,590,284

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 7. 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

Depreciation was charged to governmental functions as follows:

General Government	\$ 74,315
Public Safety	208,531
Public Works	424,808
Culture and Recreation	64,033
Community Development	10,686
Miscellaneous Programs	2,719
Total	\$ 785,092

The following is a summary of changes in capital assets for business-type activities for fiscal year ended June 30, 2018.

	Balance 06/30/17	Increases	Decreases	Transfers	Balance 06/30/18
Capital Assets Not Depreciated					
Land	\$ 224,763	\$ -	\$ -	\$ -	\$ 224,763
Construction in Progress	12,228	-	-	(12,228)	-
Total Capital Assets Not Depreciated	236,991	-	-	(12,228)	224,763
Other Capital Assets					
Sewer Utility	8,090,418	331,590	-	(2,772)	8,419,236
Wastewater Treatment	2,471,995	3,831	-	15,000	2,490,826
Water Utility	6,227,261	46,720	-	-	6,273,981
Total Other Capital Assets	16,789,674	382,141	-	12,228	17,184,043
Less Accumulated Depreciation					
Sewer Utility	3,190,124	316,494	-	(15,000)	3,491,618
Wastewater Treatment	1,434,949	51,365	-	15,000	1,501,314
Water Utility	1,863,073	159,617	-	-	2,022,690
Total Accumulated Depreciation	6,488,146	527,476	-	-	7,015,622
Total Other Capital Assets, Net	10,301,528	(145,335)	-	12,228	10,168,421
Total Business-Type Capital Assets, Net	\$ 10,538,519	\$ (145,335)	\$ -	\$ -	\$ 10,393,184

Note 8. Employee Pension Plan

Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

Benefits Provided - The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.00% of the employee's monthly average final compensation multiplied by the employee's years of creditable service. Employees with 30 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits with 10 years of creditable service, are not eligible for normal retirement, and have been officially certified as disabled by the State Medical Disability Board. Survivor's benefits are available upon the death of a member who has credit for five or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2.00% of the retiree's original benefit for each full calendar year since retirement.

Contributions - Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 5.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2018, was 13.00% of annual payroll. Contributions to the System from the City were \$149,191 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$1,122,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 1.297115%, which was an increase of 0.028611% from its proportion measured as of June 30, 2016.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$104,426. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,879	\$ 24,364
Changes of Assumptions	49,416	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	236,464	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	12,652	4,643
City Contributions Subsequent to the Measurement Date	149,191	-
Total	\$ 453,602	\$ 29,007

The City reported \$149,191 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 106,586
2020	101,817
2021	56,365
2022	10,636

Actuarial Assumptions - The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2017, valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.2% for the year ended June 30, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.30%
Public Fixed Income	35.00%	1.60%
Alternatives	15.00%	0.70%
Totals	100.00%	4.60%
Inflation		2.60%
Expected Arithmetic Nominal Return		7.20%

Discount Rate - The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee (PRSAC) taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.4%) or one percentage-point higher (8.4%) than the current rate:

	1.00% Decrease (6.40%)	Current Discount Rate (7.40%)	1.00% Increase (8.40%)
City's Proportionate Share of the Net Pension Liability	\$ 1,452,138	\$ 1,122,306	\$ 840,841

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

Payables to the Pension Plan - As of June 30, 2018, the City owed \$16,081 to the System for the City's June 2018 payroll.

Firefighters' Retirement System of Louisiana

General Information about the Pension Plan

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Contributions - Per Act 434 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year.

Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2018, was 26.50% of annual payroll. Contributions to the Fire System from the City were \$120,263 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$940,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.164076%, which was an increase of 0.028719% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$70,769. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 52,447
Changes of Assumptions	39,335	224
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	80,907	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	177,689	23,967
City Contributions Subsequent to the Measurement Date	120,263	-
Total	\$ 418,194	\$ 76,638

The City reported \$120,263 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 57,402
2020	73,603
2021	37,709
2022	(2,797)
2023	31,950
2024	23,426

Actuarial Assumptions - The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.775%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Investment Rate of Return	7.4%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.29% as of June 30, 2017.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.04%
Equity	57.00%	6.15%
Alternatives	10.00%	4.62%
Other	10.00%	4.40%
Totals	100.00%	17.21%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.29%

Discount Rate - The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fire System's actuary. Based on those assumptions, the Fire System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate:

	1.0% Decrease (6.40%)	Current Discount Rate (7.40%)	1.0% Increase (8.40%)
City's Proportionate Share of the Net Pension Liability	\$ 1,351,403	\$ 940,459	\$ 595,001

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

Payables to the Pension Plan - As of June 30, 2018, the City owed \$13,083 to the Fire System for the City's June 2018 payroll.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Municipal Police Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

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

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

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

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Contributions - Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2018, was 30.75% of annual payroll. Contributions to the Police System from the City were \$346,046 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$3,159,375 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's June 30, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017 the City's proportion was 0.361881%, which was a decrease of 0.008793% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$243,962. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 20,687	\$ 24,284
Changes of Assumptions	224,807	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	138,305	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	95,632	50,282
City Contributions Subsequent to the Measurement Date	346,046	-
Total	\$ 825,477	\$ 74,566

The City reported \$346,046 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 179,963
2020	203,014
2021	96,023
2022	(74,135)

Actuarial Assumptions - The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70%	
Salary Increases, Including Inflation and Merit	<u>Service Years</u>	<u>Growth Rate</u>
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23	4.25%
Investment Rate of Return	7.325%, Net of Investment Expense	

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the assumptions used in the June 30, 2017, actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	53.00%	3.66%
Fixed Income	21.00%	0.52%
Alternatives	20.00%	1.10%
Other	6.00%	0.16%
Total	100.00%	5.44%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.79%

Discount Rate - The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee ("PRSAC") taking into consideration the recommendation of the Police System's actuary. Based on those assumptions, the Police System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.325%) or one percentage-point higher (8.325%) than the current rate:

	1.0% Decrease (6.325%)	Current Discount Rate (7.325%)	1.0% Increase (8.325%)
City's Proportionate Share of the Net Pension Liability	\$ 4,364,980	\$ 3,159,375	\$ 2,147,958

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

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Payables to the Pension Plan - As of June 30, 2018, the City owed \$33,894 to the Police System for the City's June 2018 payroll.

Note 9. Compensated Absences

At June 30, 2018, employees of the City have accumulated and vested \$122,774 of employee leave benefits. Of this amount, \$86,310 is recorded as an obligation of the General Fund and \$36,464 is recorded in the Enterprise Funds. These amounts were included in accrued liabilities on the accompanying financial statements.

Note 10. Capital Lease

The City's governmental activities included a capital lease obligation with Ford Motor Credit with an original balance of \$133,360 dated October 24, 2016. The lease is due in 12 quarterly installments of \$11,959 through July 14, 2019, at a stated interest rate of 5.45%. The following is a summary of the changes in the capital lease for the year ended June 30, 2018:

	Lease Payable 06/30/17	Increase	Decrease	Lease Payable 06/30/18
Capital Lease - Vehicles	\$ 100,649	\$ -	\$ 43,224	\$ 57,425

The future minimum lease payments due under the capital lease are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 45,629	\$ 2,207	\$ 47,836
2020	11,796	161	11,957
Total	\$ 57,425	\$ 2,368	\$ 59,793

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 11. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. All interfund receivables/payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2018, were as follows:

Fund	Account	Due From	Due To
General Fund	Due to Fireman Millage Fund	\$ -	\$ 6,339
General Fund	Due to Policeman Millage Fund	-	19,001
General Fund	Due to Equipment Millage Fund	-	6,339
General Fund	Due from Sewer Fund	56,888	-
General Fund	Due from Water Fund	20,995	-
Fireman Millage Fund	Due from General Fund	6,339	
Policeman Millage Fund	Due from General Fund	19,001	
Equipment Millage Fund	Due from General Fund	6,339	
Sewer Enterprise Fund	Due to General Fund	-	56,888
Water Enterprise Fund	Due to General Fund	-	20,995
Total All Funds		\$ 109,562	\$ 109,562

Note 12. Interfund Transfers

Operating transfers between funds consist primarily of sales tax and property tax revenues transferred out of the special revenue funds to the particular funds for which the sales tax and property tax revenues are to be used. The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 2018:

Fund	Account	Transfers In	Transfers Out
General Fund	Transfer from 1965 Sales Tax Fund	\$ 2,310,000	\$ -
General Fund	Transfer from Fire Millage Fund	106,800	-
General Fund	Transfer from Police Millage Fund	320,400	-
General Fund	Transfer to Sewer Fund		100,000
General Fund	Transfer to Water Fund		300,000
1965 Sales Tax Fund	Transfer to General Fund		2,310,000
Fireman Millage Fund	Transfer to General Fund		106,800
Policeman Millage Fund	Transfer to General Fund		320,400
Sewer Enterprise Fund	Transfer from General Fund	100,000	-
Water Enterprise Fund	Transfer from Sewer Fund	300,000	-
Total All Funds		\$ 3,137,200	\$ 3,137,200

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

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

The balances of the reserved, restricted, and nonspendable fund balance/net position accounts of the City as of June 30, 2018, were as follows:

Nonspendable for Endowment Principal - Permanent Fund	\$ 56,189
Restricted for Mausoleum	28,607
Restricted for Dedicated Sales Tax Usage	2,641,578
Restricted for Firemen Pay	12,071
Restricted for Policemen Pay	40,594
Restricted for Safety Equipment	121,847
Total	\$ 2,900,886

Note 14. Ad Valorem Taxes

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

Levy Date	May 8, 2017
Millage Rates Adopted	May 8, 2017
Tax Bills Mailed	November 15, 2017
Due Date	December 31, 2017
Lien Date	January 1, 2018

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 1% per month until the taxes are paid. 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. Therefore, there are no delinquent taxes at year end.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 14. Ad Valorem Taxes (Continued)

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

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

For the year ended June 30, 2018, taxes of 16.52 mills were levied on property with taxable assessed valuations totaling \$54,339,800 and were dedicated as follows:

	Authorized Millage	Levied Millage	Levied Taxes	Expiration Date
General Fund	6.52	6.52	\$ 354,295	-
Policemen Pay Millage Fund	6.00	6.00	326,039	2020
Firemen Pay Millage Fund	2.00	2.00	108,670	2020
Equipment Millage Fund	2.00	2.00	108,670	2020
Totals	16.52	16.52	\$ 897,674	

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

Note 15. On-Behalf Payments for Salaries and Benefits

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

Supplemental salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2018, the state paid supplemental salaries to the fire and police employees of the City. The City is required to pay from its own budget the payroll taxes and retirement contributions for these on-behalf payments.

CITY OF PONCHATOULA, LOUISIANA

Notes to Financial Statements

Note 15. On-Behalf Payments for Salaries and Benefits (Continued)

On-behalf payments recorded as revenues and expenditures in the financial statements were \$58,385 for firemen supplemental pay and \$118,154 for policemen supplemental pay, for a total supplement pay amount of \$176,539 for the year ended June 30, 2018.

Note 16. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2018, the City carried insurance through various commercial carriers to cover all risks of loss. The City had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 17. Excess Expenditures over Appropriations

During the year ended June 30, 2018, the 1965 Sales Tax Fund actual expenditures of \$16,552 exceeded the budgeted expenditures of \$16,400, resulting in an unfavorable variance of \$152.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

CITY OF PONCHATOULA, LOUISIANA
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2018

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance Favorable (Unfavorable)
Revenues				
Sales Taxes	\$ 2,478,900	\$ 2,539,700	\$ 2,553,327	\$ 13,627
Property Taxes	367,200	369,800	360,184	(9,616)
Intergovernmental Revenue	766,800	224,600	213,351	(11,249)
Licenses and Permits	645,500	685,000	632,842	(52,158)
Sanitation Service Fees	574,300	580,400	581,527	1,127
Franchise Fees	300,600	282,200	283,448	1,248
Fines and Forfeitures	231,200	254,400	235,300	(19,100)
Other Revenues	249,300	357,200	285,830	(71,370)
Interest Income	12,900	47,800	46,131	(1,669)
Total Revenues	5,626,700	5,341,100	5,191,940	(149,160)
Expenditures				
Current:				
General Government	1,494,520	1,371,700	1,385,230	(13,530)
Public Safety	4,403,385	4,242,410	4,161,105	81,305
Public Works	3,181,763	1,860,900	1,930,130	(69,230)
Cemetery	36,900	36,000	35,303	697
Culture and Recreation	738,840	605,400	464,423	140,977
Community Development	82,080	81,900	85,386	(3,486)
Public Transportation	36,000	29,100	42,113	(13,013)
Miscellaneous Programs	66,500	16,200	94,352	(78,152)
Total Expenditures	10,039,988	8,243,610	8,198,042	45,568
Excess (Deficiency) of Revenues Over Expenditures	(4,413,288)	(2,902,510)	(3,006,102)	(103,592)
Other Financing Sources (Uses)				
Transfers In	2,737,000	2,737,200	2,737,200	-
Transfers Out	(400,000)	(400,000)	(400,000)	-
Sale of City Property	28,400	19,600	19,665	65
Total Other Financing Sources (Uses)	2,365,400	2,356,800	2,356,865	65
Change in Fund Balance	(2,047,888)	(545,710)	(649,237)	(103,527)
Fund Balance, Beginning of the Year	4,198,002	4,198,002	4,198,002	-
Fund Balance, End of the Year	\$ 2,150,114	\$ 3,652,292	\$ 3,548,765	\$ (103,527)

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
1965 Sales Tax Fund
For the Year Ended June 30, 2018

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance Favorable (Unfavorable)
Revenues				
Sales Tax	\$ 2,495,000	\$ 2,572,800	\$ 2,553,327	\$ (19,473)
Investment Interest	10,000	26,200	27,270	1,070
Total Revenues	2,505,000	2,599,000	2,580,597	(18,403)
Expenditures				
General Government:				
Collection Fees	16,300	16,400	16,552	(152)
Total Expenditures	16,300	16,400	16,552	(152)
Excess of Revenues Over Expenditures	2,488,700	2,582,600	2,564,045	(18,555)
Other Financing Sources (Uses)				
Operating Transfers Out	(2,310,000)	(2,310,000)	(2,310,000)	-
Total Other Financing Sources (Uses)	(2,310,000)	(2,310,000)	(2,310,000)	-
Change in Fund Balance	178,700	272,600	254,045	(18,555)
Fund Balance, Beginning of the Year	2,387,533	2,387,533	2,387,533	-
Fund Balance, End of the Year	\$ 2,566,233	\$ 2,660,133	\$ 2,641,578	\$ (18,555)

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Schedule of the City's Proportionate Share
of Net Pension Liability
For the Year Ended June 30, 2018

Schedule 3

Municipal Employees' Retirement System of Louisiana

Fiscal Year	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability*	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	1.297115%	\$ 1,122,306	\$ 967,655	115.98%	63.49%
2017	1.268504%	\$ 1,051,474	\$ 932,186	112.80%	63.34%
2016	1.280015%	\$ 869,958	\$ 887,215	98.05%	68.71%
2015	1.291998%	\$ 606,588	\$ 871,855	69.57%	76.94%
2014	1.300365%	\$ 714,496	\$ 851,264	83.93%	71.92%

Firefighters' Retirement System of Louisiana

Fiscal Year	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability*	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.164076%	\$ 940,459	\$ 383,093	245.49%	73.54%
2017	0.135357%	\$ 885,357	\$ 305,199	290.09%	68.16%
2016	0.121260%	\$ 654,454	\$ 257,701	253.96%	72.45%
2015	0.127494%	\$ 567,337	\$ 258,987	219.06%	76.02%
2014	0.130333%	\$ 676,062	\$ 258,951	261.08%	70.73%

Municipal Police Employees' Retirement System of Louisiana

Fiscal Year	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability*	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.361881%	\$ 3,159,374	\$ 1,080,330	292.45%	70.08%
2017	0.370674%	\$ 3,474,260	\$ 1,039,600	334.19%	66.04%
2016	0.353333%	\$ 2,767,995	\$ 945,142	292.87%	70.73%
2015	0.337356%	\$ 2,110,527	\$ 868,489	243.01%	75.10%
2014	0.313688%	\$ 2,505,875	\$ 866,091	289.33%	66.71%

* The measurement date of the proportionate share of the net pension liability is one year in arrears.

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Schedule of the City's Contributions to Defined
Benefit Pension Plans
For the Year Ended June 30, 2018

Schedule 4

Municipal Employees' Retirement System of Louisiana

Fiscal Year	Contractually Required Contribution	Relation to the Contractually Required Contribution	Contribution Deficiency / (Excess)	City's Covered Employee Payroll	as a Percentage of Covered Employee Payroll
2018	\$ 149,191	\$ (149,191)	\$ -	\$ 1,142,050	13.06%
2017	\$ 106,442	\$ (106,442)	\$ -	\$ 967,655	11.00%
2016	\$ 88,558	\$ (88,558)	\$ -	\$ 932,186	9.50%
2015	\$ 84,371	\$ (84,371)	\$ -	\$ 887,215	9.51%
2014	\$ 76,286	\$ (76,286)	\$ -	\$ 871,855	8.75%

Firefighters' Retirement System of Louisiana

Fiscal Year	Contractually Required Contribution	Relation to the Contractually Required Contribution	Contribution Deficiency / (Excess)	City's Covered Employee Payroll	as a Percentage of Covered Employee Payroll
2018	\$ 120,263	\$ (120,263)	\$ -	\$ 454,488	26.46%
2017	\$ 96,731	\$ (96,731)	\$ -	\$ 383,093	25.25%
2016	\$ 83,167	\$ (83,167)	\$ -	\$ 305,199	27.25%
2015	\$ 75,377	\$ (75,377)	\$ -	\$ 257,701	29.25%
2014	\$ 73,164	\$ (73,164)	\$ -	\$ 258,987	28.25%

Municipal Police Employees' Retirement System of Louisiana

Fiscal Year	Contractually Required Contribution	Relation to the Contractually Required Contribution	Contribution Deficiency / (Excess)	City's Covered Employee Payroll	as a Percentage of Covered Employee Payroll
2018	\$ 346,046	\$ (346,046)	\$ -	\$ 1,123,062	30.81%
2017	\$ 343,005	\$ (343,005)	\$ -	\$ 1,080,330	31.75%
2016	\$ 306,682	\$ (306,682)	\$ -	\$ 1,039,600	29.50%
2015	\$ 297,719	\$ (297,719)	\$ -	\$ 945,142	31.50%
2014	\$ 269,748	\$ (269,748)	\$ -	\$ 868,489	31.06%

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PONCHATOULA, LOUISIANA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2018

Schedule 5

	Special Revenue Funds				Permanent	Total
	Mausoleum	Firemen Pay	Policemen Pay	Equipment	Fund	
	Trust	Millage Fund	Millage Fund	Millage Fund	Cemetery	Non-Major
	Fund				Endowment	Funds
					Fund	
Assets						
Cash	\$ 67	\$ 5,732	\$ 21,593	\$ 115,508	\$ 15,298	\$ 158,198
Investments	28,540	-	-	-	40,891	69,431
Due from Other Funds	-	6,339	19,001	6,339	-	31,679
Total Assets	\$ 28,607	\$ 12,071	\$ 40,594	\$ 121,847	\$ 56,189	\$ 259,308
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund Balances						
Nonspendable	-	-	-	-	56,189	56,189
Restricted	28,607	12,071	40,594	121,847	-	203,119
Total Fund Balances	28,607	12,071	40,594	121,847	56,189	259,308
Total Liabilities and Fund Balances	\$ 28,607	\$ 12,071	\$ 40,594	\$ 121,847	\$ 56,189	\$ 259,308

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, 2018

Schedule 6

	Special Revenue Funds				Permanent Fund	Total Non-Major Funds
	Mausoleum Trust Fund	Firemen Pay Millage Fund	Policemen Pay Millage Fund	Equipment Millage Fund	Cemetery Endowment Fund	
Revenues						
Ad Valorem Taxes	\$ -	\$ 107,848	\$ 323,544	\$ 107,848	\$ -	\$ 539,240
Investment Interest	393	69	283	1,598	746	3,089
Total Revenues	393	107,917	323,827	109,446	746	542,329
Expenditures						
Public Safety	-	-	-	74,051	-	74,051
Debt Service	-	-	-	47,836	-	47,836
Total Expenditures	-	-	-	121,887	-	121,887
Excess (Deficiency) of Revenues over Expenditures	393	107,917	323,827	(12,441)	746	420,442
Other Financing Sources (Uses)						
Transfers Out	-	(106,800)	(320,400)	-	-	(427,200)
Total Other Sources (Uses)	-	(106,800)	(320,400)	-	-	(427,200)
Change in Fund Balances	393	1,117	3,427	(12,441)	746	(6,758)
Fund Balances, Beginning of the Year	28,214	10,954	37,167	134,288	55,443	266,066
Fund Balances, End of the Year	\$ 28,607	\$ 12,071	\$ 40,594	\$ 121,847	\$ 56,189	\$ 259,308

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2018

Schedule 7

Name and Title	Address	Term of Office	Amount
Robert F. Zabbia Mayor	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	\$ 95,459 *
Bry Layrisson Chief of Police	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	114,209 *
Braville LeBlanc City Council, District A	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Roslind Batiste City Council, District B	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Larry "Jeff" Daniels City Council, District C	125 W. Hickory Street Ponchatoula, LA 70454 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Melvin Toomer City Council, District D	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	July 1, 2016 - June 30, 2020	9,600
Vergil J. Sandifer City Council, District E	125 W. Hickory Street Ponchatoula, LA 70444 (985) 386-6484	August 8, 2016 - June 30, 2020	9,600
Total			<u>\$ 257,668</u>

* Including benefits, vehicle allowance, and cell phone allowance

See independent auditor's report.

CITY OF PONCHATOULA, LOUISIANA
Schedule of Compensation, Benefits, and Payments to
Agency Head
For the Year Ended June 30, 2018

Schedule 8

Agency Head
Honorable Robert F. Zabbia, Mayor

Purpose	Amount
Salary	\$76,170
Benefits - Insurance	\$186
Benefits - Retirement	\$10,703
Deferred Compensation	\$0
Benefits - Other - Supplemental Pay	\$0
Car Allowance	\$7,200
Vehicle Provided by Government	\$0
Vehicle Rental	\$0
Cell Phone	\$1,200
Dues	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0
Other	\$0
Total	\$95,459

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**

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as finding 2018-001, which we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Ponchatoula's Response to Finding

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

Purpose of this Report

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



A Professional Accounting Corporation

Covington, LA
October 28, 2018

CITY OF PONCHATOULA, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Results:

1. Type of auditor's report	Unmodified
2. Internal control over financial reporting	
A. Material weaknesses identified	No
B. Significant deficiencies identified not considered to be material weaknesses	Yes
C. Noncompliance material to the financial statements noted	No

Federal Awards:

Not Applicable

B. Financial Statement Findings

2018-001 - Deposit of City Funds

Condition: During the course the audit, we became aware of a check made payable to the City which was received by the police department and deposited by a staff member in the police department to the bank account of the police auxiliary fund which is not an account of the City. The City finance department identified the missing funds during the course of reconciling agreements with local civic organizations. Once discovered, the Police Chief provided a check from the police auxiliary fund to reimburse the amount due to the City.

Criteria: Internal controls over the collection and deposit of payments received by the City are essential in ensuring that City funds are not misappropriated.

Cause: The condition is a result of failure to follow the policies and procedures in place over collection and deposit of funds by Police Department personnel.

Effect: Funds paid to the City were not properly handled by police department personnel.

Recommendation: It is recommended the police department review the policies and procedures in place for the collection of funds received on behalf of the City to ensure all payments are properly deposited into appropriate City controlled accounts.

Management's Response: Management acknowledges the finding and encourages the police department personnel to be aware of proper procedures of all money received; past, present as well as all future payments.

2016-001 - Financial Statement Preparation

Condition: As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting journal entries and to prepare the annual financial statements with footnote disclosures. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, have not been fully implemented. Under generally accepted auditing standards (GAAS), this condition represents a material weakness in internal controls. GAAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Status: This condition has been resolved.

AGREED-UPON PROCEDURES REPORT
City of Ponchatoula

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2017 - June 30, 2018

Honorable Robert F. Zabbia
and Members of the City Council
City of Ponchatoula
125 West Hickory Street
Ponchatoula, LA 70454

We have performed the procedures enumerated below, which were agreed to by the City of Ponchatoula (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The City's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Obtained the written policies and procedures listed in a) through j) above and observed that each addressed the listed elements.

Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Obtained a listing of bank accounts for the fiscal year from management and management's representation that the list is complete. Observed that the items in a) through c) above were satisfied without exception.

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

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

Results: Obtained the list of locations that process payments for the fiscal year and management's representation that the listing is complete.

- 4. For each location selected under #3 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: For the location selected, obtained the list of employees involved with non-payroll purchasing and payment functions along with the written policies and procedures relating to employee job duties. Observed that the items in a) through d) above were satisfied without exception.

5. For each location selected under #3 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: For the location selected, obtained the non-payroll disbursement transaction population and management's representation that the population is complete. For the randomly selected sample, obtained the supporting documentation for each transaction and observed that elements in a) and b) above were satisfied without exception.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



A Professional Accounting Corporation

Covington, LA
October 28, 2018