

**CITY OF HAMMOND, LOUISIANA**

ANNUAL FINANCIAL REPORT

*June 30, 2014*

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Subject to Change

# CITY OF HAMMOND, LOUISIANA

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayson Foster, Mayor  
Members of the City Council  
City of Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana (the City of Hammond), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hammond'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 did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and Schedule of Funding Progress for the City's OPEB Plan, found on pages 4-14 and 71-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hammond's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated \_\_\_\_\_, on our consideration of the City of Hammond'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hammond's internal control over financial reporting and compliance.

**CITY OF HAMMOND, LOUISIANA**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*June 30, 2014*

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's (the City) financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2014. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 16.

**FINANCIAL HIGHLIGHTS**

- The assets of the City's Governmental Activities exceeded the liabilities at the close of the most recent year by \$40,073,238.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,783,462, an increase of \$382,366 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$760,032.
- The City's total liabilities in the Statement of Net Position at the end of the current fiscal year were \$29,131,676 in comparison to \$29,260,138 in the prior year.
- The City received \$687,188 in gaming revenue from Video Bingo. The City's General Fund received 75% of the gross proceeds or \$515,390 and the Children's Museum Fund received 25% of the proceeds or \$171,798.
- The City's sales tax revenue increased by \$546,103 in comparison to the prior year. The City of Hammond collected \$18,278,671.
- The City's enterprise fund experienced a decrease in net position of \$806,307 in comparison to the prior year.
- The City of Hammond has continued to see increases in sales tax growth, primarily because of the expansion of Hammond Square Mall. The City will be participating in several grant programs that will enhance the quality of life for our citizens, including Louisiana Capital Outlay in the amount of \$750,000 to partially fund an Air Control Tower at the Hammond Northshore Regional Airport; and for \$600,000 to purchase the Hancock Bank building in Downtown Hammond to allow the City to move its police operations to that location.
- The roundabout enhancement project that will begin on December 1, 2014, may have some temporary impact but will improve traffic flows significantly in future years.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2014*

- In addition, the inflow and infiltration improvements in the sewer system will ensure continued compliance in the city's wastewater disposal.
- There continues to be some concern with the cutbacks of state funding in several areas, including reductions for higher education and in medical services, which could possibly decrease future sales tax collections. Southeastern Louisiana University has absorbed over \$30 million in reductions of state allocations and has increased fees to its students to partially offset some of those reductions. However, continued cutbacks could result in a loss of student population, thus the potential to adversely affect the economy of the area. Lallie Kemp Hospital in Independence, an LSU-sponsored facility, has also experienced significant state reductions and has reduced its services to the citizens of the area. This could affect the operations of the North Oaks Health Systems located in Hammond, one of the largest employers in the area.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 deteriorating.

The statement of activities presents information showing how the government'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 the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The business-type activities of the City include one enterprise activity – a water and sewer system.

**CITY OF HAMMOND, LOUISIANA**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED*  
*June 30, 2014*

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units: The Hammond Downtown Development District, City Court of Hammond, and Marshal of City Court of Hammond. Financial information for the Hammond Downtown Development District is blended with the financial information for the City. Financial information for City Court of Hammond and Marshal of City Court of Hammond is reported separately from the financial information presented for the primary government itself. Complete financial statements of these entities, which include separate MD&A's, can be obtained directly from their respective administrative offices.

The government-wide financial statements can be found on pages 16 - 17 of this report.

**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.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 near-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.

The City maintains a variety of funds, which are grouped for management purposes into special revenue, debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Sales Tax Fund and the Airport Capital Projects Fund, all of which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

**CITY OF HAMMOND, LOUISIANA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
June 30, 2014

At June 30, 2014, the City's governmental funds reported combined fund balances of \$9,783,462, an increase of \$382,366 in comparison with the prior year. Approximately 7% of this amount (\$718,033) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$422,934) 2) restricted for particular purposes (\$3,340,688), 3) committed for particular purposes (\$4,350,682), or 4) assigned for particular purposes (\$951,125).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$760,032. The Fund balance decreased \$131,767. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 3% of total general fund expenditures.

The Sales Tax Fund, a major fund, had a \$101,664 increase in fund balance during the current fiscal year which put the overall fund balance at \$1,193,226 as of June 30, 2014. The entire fund balance has been committed for particular purposes by the City.

The Airport Capital Projects Fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$1,395 to bring the year end fund balance to \$113,524. The decrease is primarily the result of capital outlay expenditures and transfers to other funds. The entire fund balance has been committed for particular purposes by the City. The basic governmental fund financial statements can be found on pages 19 - 22 of the report.

**Proprietary Funds.** The City maintains two types of 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 operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability, worker's compensation self-insurance and health insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2014*

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for water and sewer systems.

Proprietary fund financial statements can be found on pages 23 - 26 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to 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 pages 28 - 69 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, assets of governmental and business-type activities exceeded liabilities by \$59,005,779 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 89%, reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond 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. For more detailed information refer to page 16, Statement of Net Position.

An additional portion of the City of Hammond's net position, 8%, represents resources that are subject to external restrictions on how they may be used.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2014*

**Net Position.** The following table reflects condensed information on the City's net position:

City of Hammond, Louisiana						
<u>Net Position</u>						
	Governmental Activities 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	Total 2013
<b>ASSETS:</b>						
Current and other assets	\$ 12,947,233	\$ 12,927,691	\$ 3,518,713	\$ 2,979,387	\$ 16,465,946	\$ 15,907,078
Land	4,436,399	4,436,399	158,047	158,047	4,594,446	4,594,446
Construction in progress	3,821,386	1,902,672	1,019,768	95,718	4,841,154	1,998,390
Capital assets (net of accumulated depreciation)	<u>44,661,134</u>	<u>45,308,459</u>	<u>17,574,775</u>	<u>18,370,527</u>	<u>62,235,909</u>	<u>63,678,986</u>
<b>TOTAL ASSETS</b>	<u>65,866,152</u>	<u>64,575,221</u>	<u>22,271,303</u>	<u>21,603,679</u>	<u>88,137,455</u>	<u>86,178,900</u>
<b>LIABILITIES:</b>						
Other liabilities	4,445,419	4,798,386	2,516,376	1,437,234	6,961,795	6,235,620
Noncurrent liabilities	<u>21,347,495</u>	<u>22,596,921</u>	<u>822,386</u>	<u>427,597</u>	<u>22,169,881</u>	<u>23,024,518</u>
<b>TOTAL LIABILITIES</b>	<u>25,792,914</u>	<u>27,395,307</u>	<u>3,338,762</u>	<u>1,864,831</u>	<u>29,131,676</u>	<u>29,260,138</u>
<b>NET POSITION:</b>						
Net invested in capital assets	33,691,585	31,204,812	18,752,590	18,624,292	52,444,175	49,829,104
Restricted for:						
Debt service	2,792,234	2,695,017	-	-	2,792,234	2,695,017
Capital Projects	1,875,353	1,529,552	-	-	1,875,353	1,529,552
Unrestricted	<u>1,714,066</u>	<u>1,750,533</u>	<u>179,951</u>	<u>1,114,556</u>	<u>1,894,017</u>	<u>2,865,089</u>
<b>TOTAL NET POSITION</b>	<u>\$ 40,073,238</u>	<u>\$ 37,179,914</u>	<u>\$ 18,932,541</u>	<u>\$ 19,738,848</u>	<u>\$ 59,005,779</u>	<u>\$ 56,918,762</u>

**Capital Assets**

There was a net decrease in Capital Assets of \$1,443,077 for the year ended June 30, 2014. This decrease is primarily the result of assets being discarded or retired.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2014*

**Long Term Debt**

The following table reflects information on the City's Bonds Payable.

Governmental Funds:

	<u>Balance</u> <u>06/30/2014</u>	<u>Balance</u> <u>06/30/2013</u>
Sales Tax Bonds, Series 2005	\$ 2,665,000	\$ 3,050,000
Sales Tax Bonds, Series 2006	12,005,000	12,660,000
Limited Tax Revenue Bonds, Series 2011	<u>3,690,000</u>	<u>4,045,000</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>\$ 18,360,000</u>	<u>\$ 19,755,000</u>

At year-end, the City of Hammond had \$18,360,000 in bonds outstanding, which was a decrease of 7.1% over the prior year, as shown in the Table above. More information about the City of Hammond's long term liabilities is provided in notes 9, 10, 11, 19 and 20.

Proprietary Funds:

	<u>Balance</u> <u>06/30/2014</u>	<u>Balance</u> <u>06/30/2013</u>
Revenue Bonds, Series 2013	<u>\$ 352,921</u>	<u>\$ -</u>
<b>TOTAL PROPRIETARY FUNDS</b>	<u>\$ 352,921</u>	<u>\$ -</u>

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
 June 30, 2014

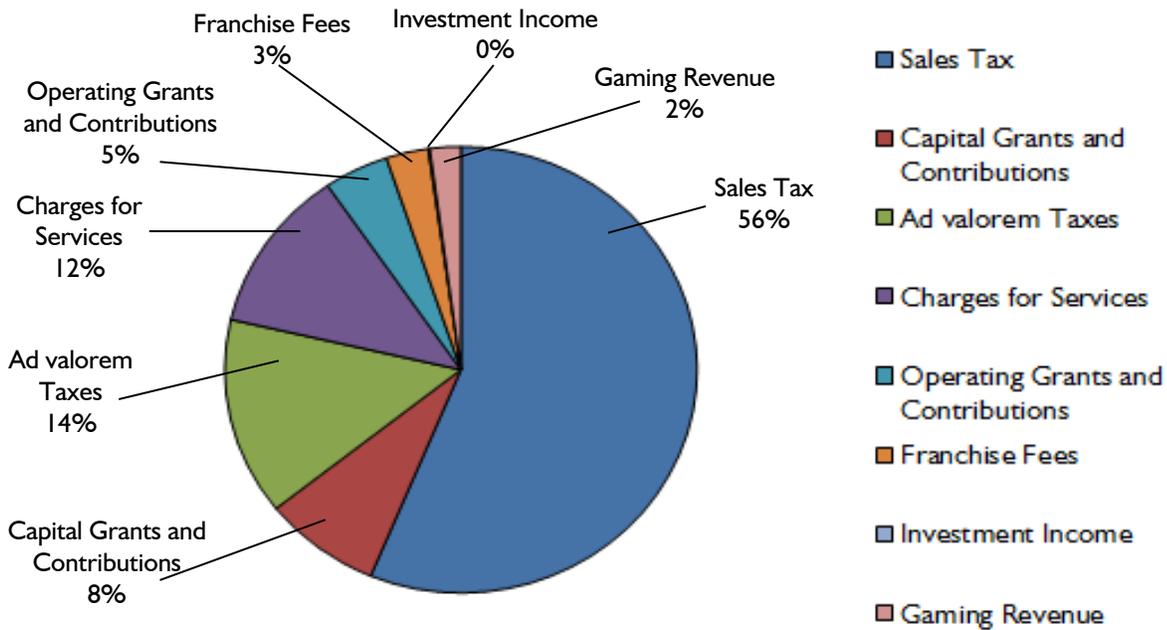
**CHANGES IN NET POSITION.** The City's total revenues and expenses for governmental and business-type activities are reflected in the following table of condensed information:

City of Hammond, Louisiana  
Changes in Net Position

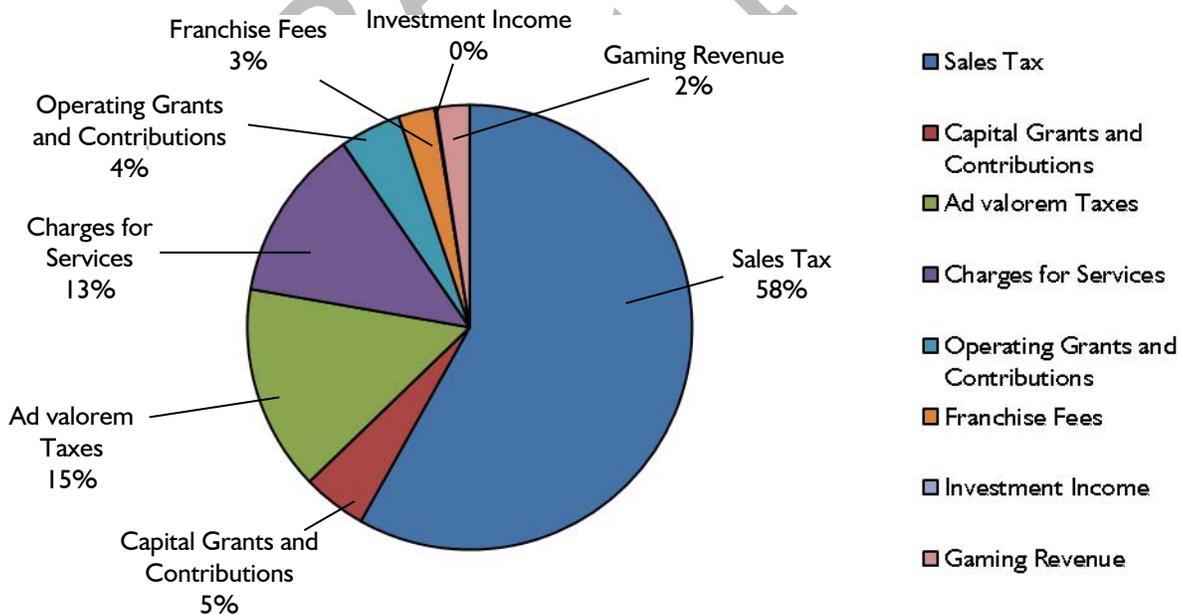
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 3,846,246	\$ 3,851,284	\$ 4,440,653	\$ 4,465,767	\$ 8,286,899	\$ 8,317,051
Operating grants and contributions	1,441,535	1,353,551	-	-	1,441,535	1,353,551
Capital grants and contributions	2,622,066	1,421,568	227,529	871,558	2,849,595	2,293,126
General revenues:						
Sales tax	18,278,671	17,732,568	-	-	18,278,671	17,732,568
Ad valorem taxes	4,646,404	4,560,634	-	-	4,646,404	4,560,634
Franchise fees	941,893	808,020	-	-	941,893	808,020
Investment earnings	33,006	37,199	5,958	6,437	38,964	43,636
Gaming revenues	687,188	735,401	-	-	687,188	735,401
Transfers	335,440	388,026	(335,440)	(388,026)	-	-
Gain on disposal of capital Assets	20,494	-	-	-	20,494	-
<b>Total revenues</b>	<b>32,852,943</b>	<b>30,888,251</b>	<b>4,338,700</b>	<b>4,955,736</b>	<b>37,191,643</b>	<b>35,843,987</b>
<b>EXPENSES:</b>						
General government	5,651,787	6,870,509	-	-	5,651,787	6,870,509
Economic development	287,436	228,391	-	-	287,436	228,391
Urban redevelopment	96,186	-	-	-	96,186	-
Public safety - police/fire	14,892,597	14,900,187	-	-	14,892,597	14,900,187
Public works	2,417,989	2,928,399	-	-	2,417,989	2,928,399
Health and sanitation	838,080	924,123	-	-	838,080	924,123
Culture and recreation	1,133,190	547,212	-	-	1,133,190	547,212
Airport	2,726,605	1,125,602	-	-	2,726,605	1,125,602
Cemeteries and municipal grounds	1,181,691	1,149,789	-	-	1,181,691	1,149,789
Water and sewer operating expenses	-	-	5,145,007	5,099,720	5,145,007	5,099,720
Paying agent fees on long-term debt	1,150	1,401	-	-	1,150	1,401
Interest on long-term debt	732,908	783,959	-	-	732,908	783,959
Loss on disposal of capital assets	-	22,386	-	8,012	-	30,398
<b>Total expenses</b>	<b>29,959,619</b>	<b>29,481,958</b>	<b>5,145,007</b>	<b>5,107,732</b>	<b>35,104,626</b>	<b>34,589,690</b>
Increase (decrease) in net position	2,893,324	1,406,293	(806,307)	(151,996)	2,087,017	1,254,297
Net position - beginning of year	37,179,914	35,773,621	19,738,848	19,890,844	56,918,762	55,664,465
Net position - end of year	\$ 40,073,238	\$ 37,179,914	\$ 18,932,541	\$ 19,738,848	\$ 59,005,779	\$ 56,918,762

**CITY OF HAMMOND, LOUISIANA**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
 June 30, 2014

**Revenues by Source – Governmental Activities June 30, 2014**



**Revenues by Source – Governmental Activities June 30, 2013**



**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
 June 30, 2014

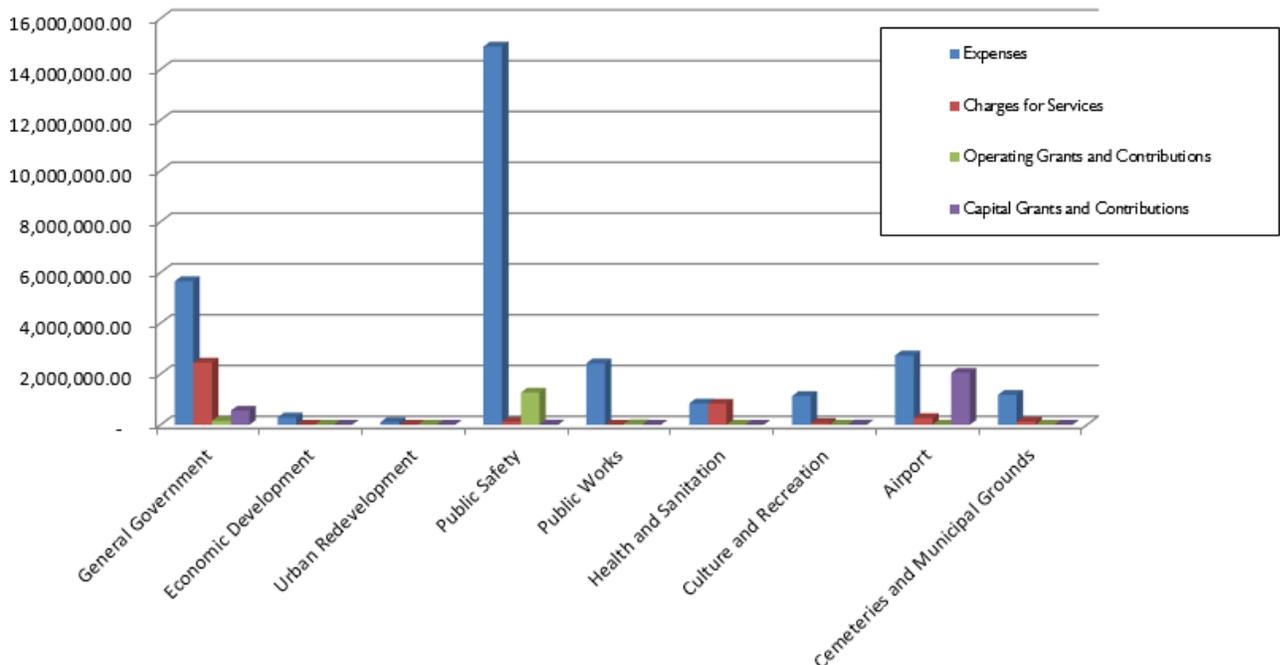
The following chart reflects the City's revenues for the years ended June 30, 2014 and 2013:

<u>Revenues</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Difference</u>
Sales Tax	\$ 18,278,671	\$ 17,732,568	\$ 546,103
Capital Grants and Contributions	2,622,066	1,421,568	1,200,498
Ad valorem Taxes	4,646,404	4,560,634	85,770
Charges for Services	3,846,246	3,851,284	(5,038)
Operating Grants and Contributions	1,441,535	1,353,551	87,984
Franchise Fees	941,893	808,020	133,873
Investment Income	33,006	37,199	(4,193)
Gaming Revenue	687,188	735,401	(48,213)
<b>Total Revenues</b>	<b>\$ 32,497,009</b>	<b>\$ 30,500,225</b>	<b>\$ 1,996,784</b>

The cost of all governmental activities for the year ended June 30, 2014 was \$29,959,619. The Statement of Activities for the year ended June 30, 2014 on page 17 shows that those who use the services financed \$3,846,246 and \$4,063,601 was financed by grants and contributions with the City's general revenues financing \$24,943,096.

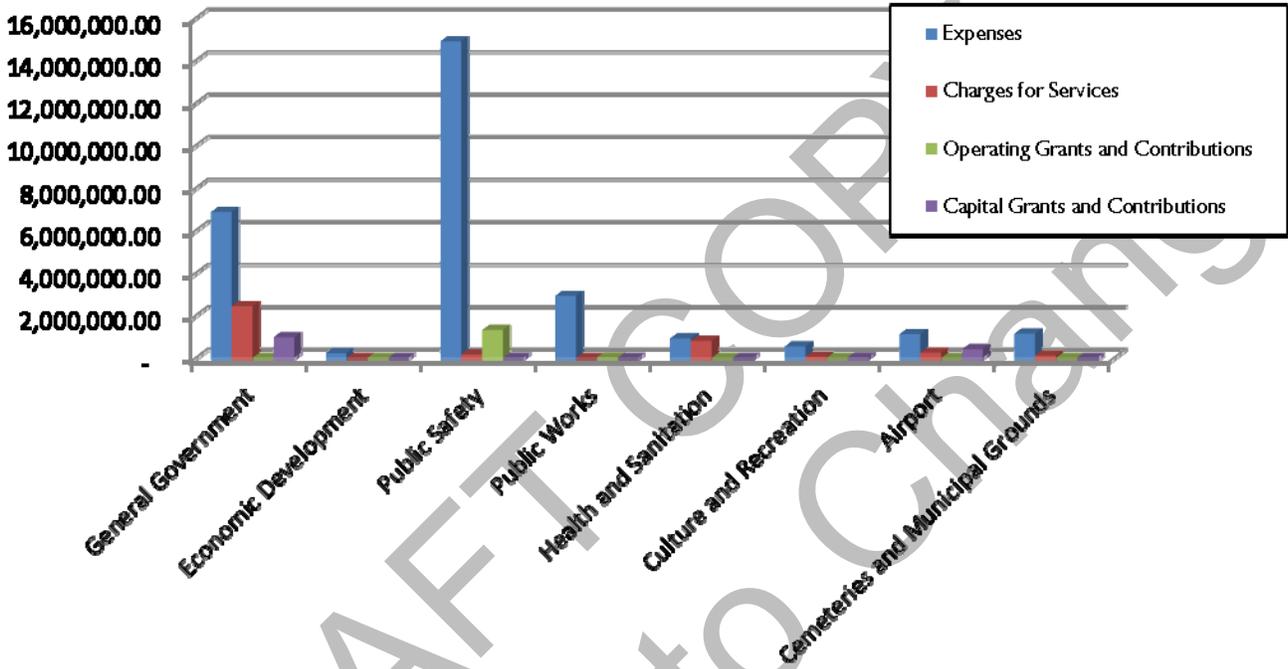
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

**Expenses and Program Revenue – Governmental Activities  
 For the Year Ended June 30, 2014**



**CITY OF HAMMOND, LOUISIANA**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED  
 June 30, 2014

**Expenses and Program Revenue – Governmental Activities**  
**For the Year Ended June 30, 2013**



**Request for Information**

Questions concerning any financial information provided or request for additional financial information should be addressed to Larry Francis, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 277-5625.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

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Subject to Change

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,249,198	\$ 1,266,940	\$ 6,516,138	\$ 216,276	\$ 213,436
Investments at cost	-	-	-	637,909	72,677
Receivables					
Customers (net of allowance for doubtful accounts of \$50,000)	-	1,445,146	1,445,146	-	-
Franchise taxes receivable	157,525	-	157,525	-	-
Notes receivable	826,048	-	826,048	-	-
Other receivable	269,786	-	269,786	-	1,574
Prepaid insurance	830,404	-	830,404	-	14,298
Due from other governments	3,576,987	47,568	3,624,555	21,935	21,730
Restricted assets					
Cash and cash equivalents	1,984,285	759,059	2,743,344	226,300	-
Investments	-	-	-	128,635	-
Internal balances	-	-	-	61,268	3,385
Due from other funds	53,000	-	53,000	-	-
Land	4,436,399	158,047	4,594,446	-	-
Construction in progress	3,821,386	1,019,768	4,841,154	-	-
Capital assets (net of accumulated depreciation)	44,661,134	17,574,775	62,235,909	149,671	19,999
<b>TOTAL ASSETS</b>	<b>65,866,152</b>	<b>22,271,303</b>	<b>88,137,455</b>	<b>1,441,994</b>	<b>347,099</b>
<b>LIABILITIES</b>					
Accounts payable	1,026,905	719,979	1,746,884	34,155	189
Payroll taxes payable	119,281	-	119,281	-	-
Salaries payable	285,511	-	285,511	391	25,087
Claims payable	719,621	-	719,621	-	-
Claims incurred but not reported	10,035	-	10,035	-	-
Due to other governments	-	427,915	427,915	-	-
Interest payable	59,385	-	59,385	-	-
Retainage payable	91,964	-	91,964	-	-
Unearned grant income	30,271	526,804	557,075	-	-
Unavailable income	277,743	-	277,743	-	-
Other payable	369,703	29,619	399,322	-	13,550
Accumulated leave payable	-	-	-	21,893	-
Due to other funds	-	53,000	53,000	-	-
Payable from restricted assets					
Customers' deposits	-	759,059	759,059	-	-
Bonds payable - current portion	1,455,000	-	1,455,000	-	-
Noncurrent liabilities					
Other post-employment benefits payable	335,617	38,016	373,633	-	-
Bonds payable	16,905,000	352,921	17,257,921	-	-
Other payable	-	-	-	-	14,426
Accumulated leave payable	4,106,878	431,449	4,538,327	40,401	24,309
<b>TOTAL LIABILITIES</b>	<b>25,792,914</b>	<b>3,338,762</b>	<b>29,131,676</b>	<b>96,840</b>	<b>77,561</b>
<b>NET POSITION</b>					
Net invested in capital assets	33,691,585	18,752,590	52,444,175	149,671	(27,215)
Restricted for:					
Debt Service	2,792,234	-	2,792,234	-	-
Capital projects	1,875,353	-	1,875,353	-	-
Judicial building fund	-	-	-	357,315	-
Unrestricted	1,714,066	179,951	1,894,017	838,168	296,753
<b>TOTAL NET POSITION</b>	<b>\$ 40,073,238</b>	<b>\$ 18,932,541</b>	<b>\$ 59,005,779</b>	<b>\$ 1,345,154</b>	<b>\$ 269,538</b>

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities:</b>								
General government	\$ 5,651,787	\$ 2,448,537	\$ 154,686	\$ 558,665	\$ (2,489,899)	\$ -	\$ (2,489,899)	
Economic development	287,436	-	1,195	-	(286,241)	-	(286,241)	
Urban redevelopment	96,186	-	-	-	(96,186)	-	(96,186)	
Public safety: police	8,946,899	111,136	641,313	7,500	(8,186,950)	-	(8,186,950)	
Public safety: fire	5,945,698	-	623,411	-	(5,322,287)	-	(5,322,287)	
Public works	2,417,989	-	20,930	-	(2,397,059)	-	(2,397,059)	
Health and sanitation	838,080	832,150	-	-	(5,930)	-	(5,930)	
Culture and recreation	1,133,190	69,240	-	9,284	(1,054,666)	-	(1,054,666)	
Airport	2,726,605	265,683	-	2,046,617	(414,305)	-	(414,305)	
Cemeteries and municipal grounds	1,181,691	119,500	-	-	(1,062,191)	-	(1,062,191)	
Paying agent fees on long-term debt	1,150	-	-	-	(1,150)	-	(1,150)	
Interest on long-term debt	732,908	-	-	-	(732,908)	-	(732,908)	
Total governmental activities	<u>29,959,619</u>	<u>3,846,246</u>	<u>1,441,535</u>	<u>2,622,066</u>	<u>(22,049,772)</u>	<u>-</u>	<u>(22,049,772)</u>	
<b>Business-type activities:</b>								
Water and sewer	5,145,007	4,440,653	-	227,529	-	(476,825)	(476,825)	
Total business-type activities	<u>5,145,007</u>	<u>4,440,653</u>	<u>-</u>	<u>227,529</u>	<u>-</u>	<u>(476,825)</u>	<u>(476,825)</u>	
Total primary government	<u>\$ 35,104,626</u>	<u>\$ 8,286,899</u>	<u>\$ 1,441,535</u>	<u>\$ 2,849,595</u>	<u>(22,049,772)</u>	<u>(476,825)</u>	<u>(22,526,597)</u>	
<b>Component units:</b>								
City Court of Hammond	\$ 1,648,604	\$ 792,866	\$ 947,264	\$ -	-	-	-	\$ 91,526
Marshall of City Court of Hammond	811,054	182,049	625,780	-	-	-	-	(3,225)
Total component units	<u>\$ 2,459,658</u>	<u>\$ 974,915</u>	<u>\$ 1,573,044</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,301</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales taxes					18,278,671	-	18,278,671	-
Ad valorem taxes, levied for general purposes					3,818,848	-	3,818,848	-
Ad valorem taxes, levied for fire and police					827,556	-	827,556	-
Franchise fees					941,893	-	941,893	-
Gaming revenues					687,188	-	687,188	-
Unrestricted investment earnings					33,006	5,958	38,964	3,404
Gain on disposal of capital assets					20,494	-	20,494	-
Transfers					335,440	(335,440)	-	-
Total general revenues and transfers					<u>24,943,096</u>	<u>(329,482)</u>	<u>24,613,614</u>	<u>3,404</u>
Change in net position					2,893,324	(806,307)	2,087,017	91,705
Net position – beginning of year					<u>37,179,914</u>	<u>19,738,848</u>	<u>56,918,762</u>	<u>1,522,987</u>
Net position – end of year					<u>\$ 40,073,238</u>	<u>\$ 18,932,541</u>	<u>\$ 59,005,779</u>	<u>\$ 1,614,692</u>

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS (FFS)**

DRAFT COPY  
Subject to Change

**CITY OF HAMMOND, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General <u>Fund</u>	Sales Tax <u>Fund</u>	Airport Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 111,949	\$ 4,005	\$ 351,163	\$ 6,504,711	\$ 6,971,828
Franchise taxes receivable	157,525	-	-	-	157,525
Due from other funds	2,114,317	350,000	-	788,000	3,252,317
Due from other governments	185,355	2,918,538	303,184	169,910	3,576,987
Other receivables	197,003	-	-	53,796	250,799
Prepaid insurance	-	-	-	54,629	54,629
Notes receivable	180,000	-	-	368,305	548,305
<b>TOTAL ASSETS</b>	<u>\$ 2,946,149</u>	<u>\$ 3,272,543</u>	<u>\$ 654,347</u>	<u>\$ 7,939,351</u>	<u>\$ 14,812,390</u>
<b>LIABILITIES &amp; FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 773,653	\$ -	\$ 117,033	\$ 127,438	\$ 1,018,124
Due to other funds	735,000	2,079,317	350,000	35,000	3,199,317
Other payables	272,672	-	-	11,788	284,460
Salaries payable	285,511	-	-	-	285,511
Payroll taxes payable	119,281	-	-	-	119,281
Retainage payable	-	-	46,961	45,003	91,964
Unearned grant income	-	-	26,829	3,442	30,271
<b>TOTAL LIABILITIES</b>	<u>2,186,117</u>	<u>2,079,317</u>	<u>540,823</u>	<u>222,671</u>	<u>5,028,928</u>
Fund balances:					
Nonspendable amounts					
Not in spendable form	-	-	-	422,934	422,934
Restricted	-	-	-	3,340,688	3,340,688
Committed	-	1,193,226	113,524	3,043,932	4,350,682
Assigned	-	-	-	951,125	951,125
Unassigned	760,032	-	-	(41,999)	718,033
<b>TOTAL FUND BALANCES</b>	<u>760,032</u>	<u>1,193,226</u>	<u>113,524</u>	<u>7,716,680</u>	<u>9,783,462</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,946,149</u>	<u>\$ 3,272,543</u>	<u>\$ 654,347</u>	<u>\$ 7,939,351</u>	<u>\$ 14,812,390</u>

**CITY OF HAMMOND, LOUISIANA**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

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

Total fund balances, Governmental Funds	\$ 9,783,462
Capital assets net of accumulated depreciation at June 30, 2014	52,918,919
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(59,385)
Internal service funds' assets and liabilities (governmental activities)	232,737
Long term liabilities at June 30, 2014:	
General obligation bonds payable	(18,360,000)
Other post-employment benefits payable	(335,617)
Accumulated leave payable	<u>(4,106,878)</u>
Net position of governmental activities	<u>\$ 40,073,238</u>

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Sales Tax Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 5,329,272	\$ 18,278,671	\$ -	\$ 259,025	\$ 23,866,968
Licenses and permits	1,742,731	-	-	-	1,742,731
Federal grants	16,138	-	572,055	466,381	1,054,574
State grants	9,284	-	1,474,562	252,981	1,736,827
Cemeteries and municipal grounds	119,500	-	-	-	119,500
Highways and streets	20,930	-	-	-	20,930
Public safety					
Police	27,493	-	-	-	27,493
Fire	268,862	-	-	-	268,862
Gaming revenue	515,390	-	-	171,798	687,188
Fines and forfeitures	434,055	-	-	-	434,055
Sanitation service fee	831,304	-	-	-	831,304
Court awards	-	-	-	18,143	18,143
State supplemental pay	873,402	-	-	-	873,402
Court witness fee	-	-	-	33,804	33,804
Department of motor vehicles fee	-	-	-	143,116	143,116
Parks and recreation	69,240	-	-	-	69,240
Donations	1,461	-	-	107,545	109,006
Interest	5,535	2,172	1,396	22,373	31,476
Miscellaneous	381,792	-	-	67,353	449,145
<b>TOTAL REVENUES</b>	<u>10,646,389</u>	<u>18,280,843</u>	<u>2,048,013</u>	<u>1,542,519</u>	<u>32,517,764</u>
<b>EXPENDITURES</b>					
General government	4,349,776	-	-	60,658	4,410,434
Public safety					
Police	7,975,480	-	-	117,672	8,093,152
Fire	5,211,546	-	-	-	5,211,546
Buildings	537,656	7,650	-	900	546,206
Highways and streets	2,046,913	-	-	227,967	2,274,880
Economic development	-	-	-	212,687	212,687
Cemeteries and municipal grounds	1,033,900	-	-	-	1,033,900
Urban redevelopment	-	-	-	96,186	96,186
Sanitation	838,080	-	-	-	838,080
Airport	361,114	-	-	-	361,114
Parks and recreation	609,259	-	-	329,953	939,212
Capital outlay	409,126	109,608	2,046,618	2,058,294	4,623,646
Miscellaneous	-	-	-	97,126	97,126
Debt service					
Principal retirement	-	-	-	1,395,000	1,395,000
Paying agent fees	-	-	-	1,150	1,150
Bond insurance expense	-	-	-	4,553	4,553
Interest and charges	-	-	-	736,966	736,966
<b>TOTAL EXPENDITURES</b>	<u>23,372,850</u>	<u>117,258</u>	<u>2,046,618</u>	<u>5,339,112</u>	<u>30,875,838</u>
Excess (deficiency) of revenues over expenditures	(12,726,461)	18,163,585	1,395	(3,796,593)	1,641,926
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	15,931,680	-	-	4,489,276	20,420,956
Operating transfers (out)	(3,336,986)	(18,061,921)	-	(281,609)	(21,680,516)
<b>Total other financing sources (uses)</b>	<u>12,594,694</u>	<u>(18,061,921)</u>	<u>-</u>	<u>4,207,667</u>	<u>(1,259,560)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(131,767)	101,664	1,395	411,074	382,366
Fund balances, beginning	891,799	1,091,562	112,129	7,305,606	9,401,096
Fund balances, ending	<u>\$ 760,032</u>	<u>\$ 1,193,226</u>	<u>\$ 113,524</u>	<u>\$ 7,716,680</u>	<u>\$ 9,783,462</u>

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

Net Change in Fund Balances - Total Governmental Funds	\$	382,366
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$4,471,110 exceeded depreciation \$3,197,929 in the current period.		1,273,181
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations) is to decrease net position.		(1,791)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		1,395,000
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		97,098
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(51,013)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the change in accrued interest from the prior year.		(4,058)
Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(197,459)</u>
Change in Net Position of Governmental Activities	\$	<u>2,893,324</u>

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,266,940	\$ 261,655
Receivables		
Customers (net of allowance for doubtful accounts of \$50,000)	1,445,146	-
Due from other governments	47,568	-
Other Receivables	-	18,987
Prepaid Insurance	-	775,775
Total current assets	<u>2,759,654</u>	<u>1,056,417</u>
<b>RESTRICTED ASSETS</b>		
Customers' deposits		
Cash and cash equivalents	759,059	-
Total restricted assets	<u>759,059</u>	<u>-</u>
<b>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>		
	<u>18,752,590</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,271,303</u>	<u>\$ 1,056,417</u>
<b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable	\$ 719,979	\$ 8,781
Claims payable	-	719,621
Claims incurred but not reported	-	10,035
Due to other funds	53,000	-
Due to other governments	427,915	-
Unavailable grant income	526,804	-
Other payables	29,619	85,243
Total current liabilities (payable from current assets)	<u>1,757,317</u>	<u>823,680</u>
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Customers' deposits	759,059	-
Total current liabilities (payable from restricted assets)	<u>759,059</u>	<u>-</u>
<b>LONG-TERM LIABILITIES</b>		
Other post employment benefits payable	38,016	-
Accumulated leave payable	431,449	-
Bonds payable	352,921	-
Total long-term liabilities	<u>822,386</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>3,338,762</u>	<u>823,680</u>
<b>NET POSITION</b>		
Net invested in capital assets	18,752,590	-
Unrestricted	179,951	232,737
<b>TOTAL NET POSITION</b>	<u>18,932,541</u>	<u>232,737</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 22,271,303</u>	<u>\$ 1,056,417</u>

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
<b>OPERATING REVENUES</b>		
Sewer charges	\$ 2,380,085	\$ -
Water sales	1,209,993	-
Tap-in and reconnect fees	33,812	-
Monthly user fees	565,146	-
Other fees	10,472	-
Insurance charges	-	2,689,199
Insurance reimbursements	-	45,273
Miscellaneous	241,145	5,600
Total operating revenues	4,440,653	2,740,072
<b>OPERATING EXPENSES</b>		
Insurance	-	4,239,505
Personnel services	1,824,702	-
Contractual services, supplies, materials and other	1,607,275	-
Depreciation	1,503,416	-
Total operating expenses	4,935,393	4,239,505
Operating loss	(494,740)	(1,499,433)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	5,958	1,531
Miscellaneous expense	(209,614)	-
Federal grant	182,971	-
State grant	44,558	-
Total non-operating revenues (expenses)	23,873	1,531
Loss before operating transfers	(470,867)	(1,497,902)
TRANSFERS IN	2,336,293	1,595,000
TRANSFERS OUT	(2,671,733)	-
Total operating transfers	(335,440)	1,595,000
Change in net position	(806,307)	97,098
Total net position - beginning	19,738,848	135,639
<b>TOTAL NET POSITION - ending</b>	<b>\$ 18,932,541</b>	<b>\$ 232,737</b>

# CITY OF HAMMOND, LOUISIANA

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 3,942,850	\$ 2,689,199
Payments to suppliers	(727,263)	(4,227,920)
Payments to employees	(1,782,833)	-
Receipts from claim settlements	-	50,873
Receipts from other funds	53,000	-
Net cash provided by (used in) operating activities	1,485,754	(1,487,848)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(1,631,715)	-
Miscellaneous expenses	(209,614)	-
Receipts from grants	754,333	-
Operating transfers out	(2,671,733)	-
Operating transfers in	2,336,293	1,595,000
Net cash provided by (used in) capital and related financing activities	(1,422,436)	1,595,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	5,958	1,531
Net cash provided by investing activities	5,958	1,531
Net increase in cash and cash equivalents	69,276	108,683
Cash and cash equivalents, beginning	1,956,723	152,972
Cash and cash equivalents, ending	\$ 2,025,999	\$ 261,655

**CITY OF HAMMOND, LOUISIANA**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (494,740)	\$ (1,499,433)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,503,416	-
(Increase) in accounts receivable	(530,030)	-
(Increase) in other assets	-	(4,886)
(Increase) in prepaid insurance	-	(41,110)
Decrease in due from other governments	59,980	-
Increase (decrease) in accounts payable	514,732	(8,507)
Increase in customer deposits	12,852	-
Increase in due to other governments	19,375	-
Increase (decrease) in due to other funds	53,000	(45,000)
Increase in accumulated leave	35,997	-
Increase (decrease) in other payables	(41,749)	85,243
Increase in claims payable	-	25,845
Increase in bonds payable	352,921	-
Total adjustments	<u>1,980,494</u>	<u>11,585</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 1,485,754</u>	 <u>\$ (1,487,848)</u>

**CITY OF HAMMOND, LOUISIANA**  
**COMPONENT UNIT FINANCIAL STATEMENTS**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<u>Marshal's Office City Court of Hammond</u>	<u>City Court of Hammond</u>
<b>ASSETS:</b>		
Cash on hand and in banks	\$ 24,493	\$ 351,690
Accounts receivable	<u>-</u>	<u>90</u>
<b>TOTAL ASSETS</b>	<b>24,493</b>	<b>351,780</b>
<b>LIABILITIES:</b>		
Accounts payable	-	85,044
Internal balances	<u>24,493</u>	<u>266,736</u>
<b>TOTAL LIABILITIES</b>	<b>24,493</b>	<b>351,780</b>
<b>NET POSITION</b>	<u>-</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# **CITY OF HAMMOND, LOUISIANA**

## **NOTES TO FINANCIAL STATEMENTS**

*As of and for the Year Ended June 30, 2014*

### **INTRODUCTION:**

On April 15, 1977, the United States District Court for the Eastern District of Louisiana ordered and decreed that the City of Hammond (the City) shall institute the proposed Home Rule Charter dated April 11, 1977. The City operates under a Mayor-Council form of government.

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. REPORTING ENTITY:**

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

Government Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 61, establishes criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent and provide the potential for specific financial benefits to, or impose specific financial burdens on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Based on the previous criteria, the City has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Year End</u>	<u>Criteria Used</u>
City Court	June 30, 2014	2
Marshal of City Court	June 30, 2014	2
Hammond Downtown Development District	June 30, 2014	1

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City has one blended component unit which is reported as if it were part of or blended with the City's operations. The Hammond Downtown Development District (the District) was created to formulate and implement a redevelopment plan for the central business district of the City. The City's governing authority appoints the District's board members and approves the redevelopment plan. The District is reported as a Special Revenue Fund of the City. No separate financial statements for the District have been issued.

Discretely Presented Component Units

Component units that are legally separate from the City, but are financially accountable to the City or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, are discretely presented. The Component Unit columns of the combined financial statements include the financial data of the discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Discretely Presented Component Units (Continued)

Funding for the following state constitutionally defined agencies is included in the City's General Fund. These agencies, however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's financial statements:

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2014.

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2014.

Related Organizations

The Hammond Section 8 Housing Authority (the Authority) is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City's governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the City. This organization is not a component unit of the City's reporting entity. It is classified as a related organization. The City's accountability does not extend beyond making the appointments.

The Hammond-Tangipahoa Home Mortgage Authority is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Tangipahoa Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The City has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency. This agency is classified as a related organization.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Related Organizations (Continued)

Complete financial statements for each of the City's component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana; 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agency's administrative offices.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

In accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, included in the City's Annual Financial Report are the Management's Discussion and Analysis (MD&A), government-wide financial statements which include the Statement of Net Position and the Statement of Activities and fund financial statements which include the Balance Sheet, Reconciliation of the Balance Sheet to the Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

The Statement of Net Position and the Statement of Activities include the governmental and business-type activities of the City and also the component units for which the City is financially accountable. These government-wide statements for the governmental activities begin with the governmental funds financial statements balances and are adjusted to incorporate the City's capital assets, long-term debt and internal service funds. These adjustments are detailed in the financial statements in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Changes in Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. The Statement of Activities presents financial information in a manner that shows the income and expenses generated by each individual governmental function or unit. Taxes are reported as general revenues along with other items that cannot be properly included in program revenues.

Fund financial statements report major individual governmental funds in a separate column. Separate financial statements are provided for governmental funds, proprietary funds and component units.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:  
(Continued)**

Governmental funds are used to account for the majority of government's general activities, including the collection and disbursement of earmarked monies, (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds account for assets held in a trustee or agency capacity on behalf of others. The City has no fiduciary funds except those employed by its component units.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND  
FINANCIAL STATEMENT PRESENTATION:**

Government-Wide Financial Statements:

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interest income and intergovernmental revenues derived from providing services to entities outside the primary government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Government-Wide Financial Statements: (Continued)

Amounts reported as program revenues include:

1. Charges to customers or applicants for goods, services or privileges provided,
2. Operating grants and contributions and
3. Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers ad valorem (property) taxes revenue in the year for which they are levied. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are franchise taxes, licenses, fines, interest revenue and charges for services. In accordance with GASB Statement No. 22, sales taxes collected and held by merchants and the intermediary collecting governments at year end on behalf of the City are recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

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 funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total position.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Fund Financial Statements: (Continued)

GASB Statement No. 62 – “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” was adopted for the fiscal year ended June 30, 2013. This statement supersedes GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” by bringing governmental accounting and financial literature together in one place, thereby eliminating the need to subjectively determine which FASB and AICPA pronouncement provisions apply to state and local governments.

The City government reports the following major governmental funds:

- General Fund – the General Fund is the City’s primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- Airport Capital Projects Fund – the Airport Capital Projects Fund is used to account for the proceeds of grants that are received primarily to assist in capital projects at the Hammond Airport.

The City government reports the following major proprietary fund:

- Water and Sewer Fund – the Water and Sewer Fund is used to account for the provisions of water and sewer services to residents of the City and certain residents outside of City limits. The fund also accounts for the maintenance of the water and sewer system, including capital outlay for the system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Fund Financial Statements: (Continued)

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

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

The reporting focus of fiduciary funds is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not available to support City programs.

GASB Statement No. 63 – “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” was adopted for the fiscal year ended June 30, 2013. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, “Elements of Financial Statements” introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

The City adopted GASB Statement No. 65 – “Items Previously Reported as Assets and Liabilities” for the year ended June 30, 2014. The Statement establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The statement clarifies the appropriate use of these financial statement elements to insure consistency in financial reporting.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Previous financial reporting standards do not include guidance for reporting those financial elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Budgets:

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

1. By May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at council meetings to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. Only the City Council is authorized to transfer budgeted amounts between departments within any fund or revise the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds, except those Special Revenue Funds established to account for a particular grant. Such grant funds are budgeted over the life of the grant and not necessarily on an annual basis.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Budgets: (Continued)

7. All budgetary appropriations lapse at the end of each fiscal year.
8. Those budgets which the City adopts are on a basis consistent with accounting principles generally accepted in the United States of America as applied to governmental units.

Budgetary data for the discretely presented component units are not presented in these financial statements.

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned by the employee. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absences liability is reported.

Substantially all employees of the City government earn from one week to four weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated up to a maximum of 280 hours. Upon termination, an employee shall be paid a value of his accrued annual leave up to 280 hours.

All employees except Fire and Police earn 12 days a year of sick leave regardless of the length of service. Each employee of the Police Department and every Fireman in the employ of a municipality in accordance with civil service requirements are given, with full pay, a sick leave aggregating not less than fifty-two weeks during any calendar year when the conditions actually warrant. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Sales and Use Tax:

The City has a two percent sales and use tax. The Tangipahoa Parish School Board is authorized to collect and remit this tax to the City for a stipulated fee. The City's sales tax ordinances provide that the proceeds can be used for debt service payments and general governmental operations of the City.

Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets:

Included in restricted assets of the governmental activities in the Statement of Net Position are:

1) The "Capital Project Fund", which is used to segregate those resources accumulated through sale of bond or state financing to be used for capital projects, and 2) the "Debt Service Fund" account, which is used to pay principal and interest on the City's general obligation, and sales tax bonds.

Included in restricted assets of the business-type activities in the Statement of Net Position are:

The "Customers' Deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Governmental Fund Balances:

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are classified as follows:

- 1) Non-Spendable Fund Balances – amounts that cannot be spent either because they are in a non-spendable form or because they are 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) Committed Fund Balance – amounts that can be used only for specific purposes determine by a formal action by City Council ordinance or resolution.
- 4) Assigned Fund Balance – amounts that are constrained by the City's intent that they will be used for specific purposes.
- 5) Unassigned Fund Balance – all amounts not included in the other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2014 is \$50,000.

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Advance To/From Other Funds:

Non-current portions of long-term interfund loans on receivables are reported as advances.

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 to or from other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables or payables or due to or from other funds.

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items in the government-wide financial statements and fund financial statements.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 for equipment, \$100,000 for water and sewer infrastructure, \$250,000 for general infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred by the City during the current fiscal year.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Capital Assets: (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Life</u>
Buildings	10-40 years
Lines and mains	20-50 years
Equipment and vehicles	5-20 years
Infrastructure	20-40 years

Intangible Assets:

Intangible assets include easements, computer software, patent, copyrights, trademarks and goodwill. The City does not currently have any reportable intangible assets that meet the capitalization threshold for intangible assets in accordance with GASB Statement No. 51 "Accounting and Reporting for Intangible Assets."

Interfund Transactions:

On fund financial statements, long-term interfund loans are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Use of Estimates:

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that are used.

**2. AD VALOREM TAXES:**

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City during the year and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed and recognized as revenue when received. The City bills and collects its own property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish.

The City is permitted by state law to levy taxes up to 9.04 mills of assessed valuation for general operating purposes. In 2011, the City passed an ordinance to allow part of the 9.04 mills to support debt service payments for Limited Tax Revenue Bonds issued in 2011. In addition, voters renewed a ten-year millage in 2008 of two (2) mills to be used for public improvements upkeep. The total is for general government services. No assessment was required for payment of long-term debt. On October 2, 2010, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2011, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries.

The Hammond Downtown Development District (the District) is permitted by state law to levy taxes up to fifteen (15) mills on all property subject to taxation by the District for the purpose of constructing, acquiring, operating or maintaining public facilities contemplated by the redevelopment plan and for the operating expenses of the District.

For the year ended June 30, 2014, taxes were levied for the City (21.04 mills) and the District (15 mills) on property with assessed valuations totaling \$208,042,431 and \$19,249,201, respectively. The total tax levied was \$4,377,213. Tax collections for the year ended June 30, 2014 were 99% of the tax levy.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS:**

**A. Primary Government**

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. 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.

The primary government had no long-term investments as of June 30, 2014. All monies are invested in short term cash equivalents.

At June 30, 2014, the City had cash (book balances) totaling \$9,259,482, as follows:

Governmental Funds:	
Petty cash	\$ 1,100
Demand deposits	5,730
Interest bearing demand deposits	6,964,998
	<u>6,971,828</u>
Proprietary Funds:	
Enterprise Fund	
Interest bearing demand deposit	2,025,999
Internal Service Fund	
Interest bearing demand deposit	242,881
Cash with agent	18,774
	<u>2,287,654</u>
Total	<u>\$ 9,259,482</u>

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

At June 30, 2014, the City had \$9,833,618 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)**

**B. Custodial Credit Risk**

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The City's bank balance of \$9,833,618 at June 30, 2014 is secured by pledged collateral held in joint custody. The City has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

**C. Discretely Presented Component Units**

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposit) at June 30, 2014, are as follows:

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$442,576 in deposits (book balances), of which \$226,300 is restricted, at June 30, 2014. Total cash (book balances) from fiduciary responsibilities was \$351,690 at June 30, 2014. The City Court of Hammond reported on the government-wide financial statements investments (book balance) of \$766,544, of which \$128,635 is restricted, at June 30, 2014. Bank balances at June 30, 2014 totaled \$1,626,157 of which \$920,125 was insured by FDIC Insurance and \$706,032 was collateralized with investments held by pledging bank's trust department not in the City Court's name.

Certificates of deposit with a maturity of 90 days or more are classified on the government-wide financial statements, fund financial statements and statement of fiduciary net position as "Investments".

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)**

**C. Discretely Presented Component Units (Continued)**

City Court of Hammond (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. At June 30, 2014, \$706,032 was exposed to custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

At June 30, 2014, the City Court was in compliance with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

Marshal of the City Court of Hammond

At June 30, 2014, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$213,436. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$24,493 at June 30, 2014. The bank balances at June 30, 2014 totaled \$344,608, all of which was insured by FDIC Insurance.

Custodial credit risk – Deposits. Custodial credit risk is defined as the risk that, in the event of a bank failure, the entity's deposits and collateral securities that are in the possession of an outside party may not be recovered. The Marshall's Office is not exposed to custodial credit risk at June 30, 2014. The Marshal's Office has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Marshal's Office that the fiscal agent has failed to pay deposited funds upon demand.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**4. RECEIVABLES:**

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Funds		Total Primary Government	Total Component Units	Reporting Entity
	General	Other Governmental Funds	Total	Enterprise	Internal Service			
Receivables:								
Taxes:								
Ad valorem	\$ 102,515	\$ -	\$ 102,515	\$ -	\$ -	\$ 102,515	\$ -	\$ 102,515
Franchise	157,525	-	157,525	-	-	157,525	-	157,525
Notes receivables	457,743	368,305	826,048	-	-	826,048	-	826,048
Accounts receivables	-	-	-	1,495,146	-	1,495,146	-	1,495,146
Other receivables	197,003	53,796	250,799	-	18,987	269,786	1,574	271,360
Gross receivables	914,786	422,101	1,336,887	1,495,146	18,987	2,851,020	1,574	2,852,594
Less: Allowance for uncollectibles	(102,515)	-	(102,515)	(50,000)	-	(152,515)	-	(152,515)
Net Receivables	\$ 812,271	\$ 422,101	\$ 1,234,372	\$ 1,445,146	\$ 18,987	\$ 2,698,505	\$ 1,574	\$ 2,700,079

**5. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS IN, TRANSFERS OUT:**

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	\$ 2,114,317	\$ 735,000
Sales tax fund	350,000	2,079,317
Airport capital projects fund	-	350,000
Other governmental funds	788,000	35,000
Total Governmental Funds	3,252,317	3,199,317
Proprietary Funds:		
Internal service fund	-	53,000
Total Proprietary Funds	-	53,000
Total Primary Government	\$ 3,252,317	\$ 3,252,317
Governmental Funds:	Transfers In	Transfers Out
General fund	\$ 15,931,680	\$ 3,336,986
Sales tax fund	-	18,061,921
Other governmental funds	4,489,276	281,609
Total Governmental Funds	20,420,956	21,680,516
Proprietary Funds:		
Enterprise fund	2,336,293	2,671,733
Internal service fund	1,595,000	-
Total Proprietary Funds	3,931,293	2,671,733
Total Primary Government	\$ 24,352,249	\$ 24,352,249

The principal purpose of transfers between funds is to fund expenditures associated with those funds.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**6. DUE FROM OTHER GOVERNMENTS:**

	Governmental Funds				Proprietary Fund	Total Primary Government	Component Units	Total Reporting Entity
	General	Sales Tax	Airport Capital Projects	Other Governmental Funds	Enterprise Fund			
State of Louisiana:								
Beer tax	\$ 11,649	\$ -	\$ -	\$ -	\$ -	\$ 11,649	\$ -	\$ 11,649
State Grants	-	-	303,184	80,659	24,600	408,443	4,544	412,987
Tangipahoa Parish Council	-	-	-	-	-	-	10,709	10,709
Fire Insurance Tax	81,362	-	-	-	-	81,362	-	81,362
Tangipahoa Parish Rural								
Fire District #2	62,500	-	-	-	-	62,500	-	62,500
Tangipahoa Parish School								
Board - sales tax	-	2,918,538	-	-	-	2,918,538	-	2,918,538
City Court of Hammond	29,844	-	-	-	-	29,844	15,779	45,623
City of Hammond	-	-	-	-	-	-	2,510	2,510
Federal Grants	-	-	-	89,251	22,968	112,219	10,123	122,342
<b>Total</b>	<b>\$ 185,355</b>	<b>\$ 2,918,538</b>	<b>\$ 303,184</b>	<b>\$ 169,910</b>	<b>\$ 47,568</b>	<b>\$ 3,624,555</b>	<b>\$ 43,665</b>	<b>\$ 3,688,220</b>

**7. CAPITAL ASSETS:**

**A. Governmental Funds:**

The following is a summary of governmental fund-type capital assets at June 30, 2014.

	Balance 7/01/2013	Additions	Deletions	Completed Construction	Balance 6/30/2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 4,436,399	\$ -	\$ -	\$ -	\$ 4,436,399
Construction in progress	1,902,672	3,110,003	-	(1,191,289)	3,821,386
Total capital assets not being depreciated	6,339,071	3,110,003	-	(1,191,289)	8,257,785
Capital assets being depreciated:					
Buildings	9,401,909	-	-	-	9,401,909
Vehicles	6,919,543	911,365	(214,788)	-	7,616,120
Equipment	4,864,866	449,741	-	-	5,314,607
Infrastructure	49,462,729	1,191,289	-	-	50,658,018
Total capital assets being depreciated	70,649,047	2,552,395	(214,788)	-	72,986,654
Less accumulated depreciation	(25,340,588)	(3,197,929)	212,997	-	(28,325,520)
Total capital assets being depreciated, net	45,308,459	(645,534)	(1,791)	-	44,661,134
Governmental activities capital assets, net	\$ 51,647,530	\$ 2,464,469	\$ (1,791)	\$ (1,191,289)	\$ 52,918,919

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**7. CAPITAL ASSETS: (Continued)**

**A. Governmental Funds: (Continued)**

Depreciation expense was charged to functions as follows:

General government	\$ 168,263
Public safety:	
Police	462,280
Fire	255,699
Culture and recreation	166,713
Buildings	17,990
Grounds	51,956
Airport	326,846
Streets	1,688,218
Economic development	59,964
Total governmental activities depreciation expense	<u>\$ 3,197,929</u>

The following is a summary of capital assets of the Component Units at June 30, 2014:

	Balance 7/1/2013	Additions	Deletions	Changes in Accumulated Depreciation	Balance 6/30/2014
City Court of Hammond	\$ 73,344	\$ 99,451	\$ (3,091)	\$ (20,033)	\$ 149,671
Marshal of City Court of Hammond	19,586	13,575	-	(13,162)	19,999
Total Component Units	<u>\$ 92,930</u>	<u>\$ 113,026</u>	<u>\$ (3,091)</u>	<u>\$ (33,195)</u>	<u>\$ 169,670</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**7. CAPITAL ASSETS: (Continued)**

**B. Proprietary Fund:**

The following is a summary of proprietary fund-type capital assets at June 30, 2014:

	Balance <u>7/1/2013</u>	Additions	Deletions	Completed Construction	Balance <u>6/30/2014</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 158,047	\$ -	\$ -	\$ -	\$ 158,047
Construction in progress	<u>95,718</u>	<u>924,050</u>	-	-	<u>1,019,768</u>
Total capital assets not being depreciated	<u>253,765</u>	<u>924,050</u>	-	-	<u>1,177,815</u>
Capital assets being depreciated:					
Water:					
Buildings	471,681	-	-	-	471,681
Equipment	681,804	87,698	-	-	769,502
Vehicles	705,837	34,718	(41,157)	-	699,398
Lines and Mains	7,102,356	-	-	-	7,102,358
Sewer:					
Buildings	88,718	-	-	-	88,718
Equipment	692,282	335,023	-	-	1,027,305
Vehicles	345,590	284,943	-	-	630,533
Lines and Mains	<u>31,704,207</u>	-	-	-	<u>31,704,207</u>
Total capital assets being depreciated	41,792,475	742,382	(41,157)	-	42,493,700
Less: accumulated depreciation	<u>(23,421,948)</u>	<u>(1,503,416)</u>	<u>6,439</u>	-	<u>(24,918,925)</u>
Total capital assets being depreciated, net	<u>18,370,527</u>	<u>(761,034)</u>	<u>(34,718)</u>	-	<u>17,574,775</u>
Business-type activities capital assets, net	<u>\$ 18,624,292</u>	<u>\$ 163,016</u>	<u>\$ (34,718)</u>	<u>\$ -</u>	<u>\$ 18,752,590</u>

Transfer of capital assets from Governmental Funds to Proprietary Funds total \$34,718 for the year ended June 30, 2014.

Depreciation expense was as follows:

Business-type activities:

Water	\$ 250,118
Sewer	<u>1,253,298</u>
Total business-type activities depreciation expense	<u>\$ 1,503,416</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**8. RESTRICTED ASSETS:**

Restricted assets for the City were applicable to the following at June 30, 2014:

Governmental Activities:

Unexpended Bond Proceeds	\$ 761,227
Bond Sinking Fund	<u>1,223,058</u>
Total	<u>\$ 1,984,285</u>

Business-type Activities:

Meter Deposit Accounts	<u>\$ 756,089</u>
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Component Units:

City Court of Hammond – Judicial Building Fund	<u>\$ 354,935</u>
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**9. GENERAL LONG-TERM DEBT OBLIGATIONS:**

The following is a summary of general long-term debt transactions for the year ended June 30, 2014.

	7/1/2013	Outstanding Additions	Outstanding Deletions	6/30/2014	Amounts Due Within One Year
Government Funds:					
Sales tax Revenue bonds	\$ 419,755,000	\$ -	\$ (1,395,000)	\$ 18,360,000	\$ 1,455,000
Accumulated leave	<u>3,954,164</u>	<u>152,714</u>	<u>-</u>	<u>4,106,878</u>	<u>4,106,878</u>
Total Governmental Funds	<u>\$ 23,709,164</u>	<u>\$ 152,714</u>	<u>\$ (1,395,000)</u>	<u>\$ 22,466,878</u>	<u>\$ 5,561,878</u>
Proprietary Funds:					
Bonds	\$ -	\$ 352,921	\$ -	\$ 352,921	\$ -
Accumulated leave	<u>395,453</u>	<u>35,996</u>	<u>-</u>	<u>431,449</u>	<u>431,449</u>
Total Proprietary Funds	<u>\$ 395,453</u>	<u>\$ 388,917</u>	<u>\$ -</u>	<u>\$ 784,390</u>	<u>\$ 431,449</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds:

The following is a summary of the bonds of the City at June 30, 2014:

Sales Tax Revenue Bonds:

\$4,390,000 Limited Tax Revenue Bonds, Series 2011, due in annual installments of principal and semi-annual installments of interest through December 1, 2022; interest on \$365,000 at 2.54%, on \$375,000 at 2.54%, on \$385,000 at 2.54%, on \$400,000 at 2.54%, on \$410,000 at 2.54%, on \$420,000 at 2.54%, on \$435,000 at 2.54%, on \$445,000 at 2.54%, and on \$455,000 at 2.54%.

\$ 3,690,000

\$5,000,000 Sales Tax Bonds, Series 2005, due in annual installments of principal starting December 1, 2007, and semi-annual installments of interest starting December 1, 2005, through December 1, 2019; interest on \$400,000 at 4%, on \$420,000 at 4%, on \$435,000 at 4%, on \$455,000 at 4.5%, on \$465,000 at 4.5%, and on \$490,000 at 4.5%.

2,665,000

\$15,000,000 Sales Tax Bonds, Series 2006, due in annual installments of principal starting December 1, 2009, and semi-annual installments of interest starting December 1, 2007, through December 1, 2026; interest on \$690,000 at 4%, on \$720,000 at 5.25%, on \$755,000 at 4%, on \$790,000 at 4%, on \$830,000 at 4%, on \$870,000 at 4%, on \$910,000 at 4.125%, on \$955,000 at 4.125%, on \$1,000,000 at 4.25%, on \$1,045,000 at 4.25%, on \$1,095,000 at 4.25%, on \$1,145,000 at 4.25%, and \$1,200,000 at 4.25%.

12,005,000

Total Sales Tax Revenue Bonds Payable

\$ 18,360,000

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds: (Continued)

Sales Tax Revenue Bonds: (Continued)

A combined schedule of the outstanding Limited Tax Revenue Series 2011, Sales Tax Series 2005 and Sales Tax Series 2006 bonds and the interest and principal requirements by dates is as follows:

DUE DATE	Limited Tax Revenue Series 2011		Sales Tax Series 2005		Sales Tax Series 2006		TOTALS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
December 1, 2014	\$ 365,000	\$ 46,863	\$ 400,000	\$ 56,825	\$ 690,000	\$ 252,622	\$ 1,811,310
June 1, 2015	-	42,227	-	48,825	-	238,822	329,874
December 1, 2015	375,000	42,227	420,000	48,825	720,000	238,822	1,844,874
June 1, 2016	-	37,465	-	40,425	-	219,922	297,812
December 1, 2016	385,000	37,465	435,000	40,425	755,000	219,922	1,872,812
June 1, 2017	-	32,576	-	31,725	-	204,822	269,123
December 1, 2017	400,000	32,576	455,000	31,725	790,000	204,822	1,914,123
June 1, 2018	-	27,496	-	21,488	-	189,022	238,006
December 1, 2018	410,000	27,496	465,000	21,488	830,000	189,022	1,943,006
June 1, 2019	-	22,288	-	11,025	-	172,422	205,735
December 1, 2019	420,000	22,288	490,000	11,025	870,000	172,422	1,985,735
June 1, 2020	-	16,955	-	-	-	155,022	171,977
December 1, 2020	435,000	16,955	-	-	910,000	155,022	1,516,977
June 1, 2021	-	11,430	-	-	-	136,253	147,683
December 1, 2021	445,000	11,430	-	-	955,000	136,253	1,547,683
June 1, 2022	-	5,778	-	-	-	116,556	122,334
December 1, 2022	455,000	5,778	-	-	1,000,000	116,556	1,577,334
June 1, 2023	-	-	-	-	-	95,306	95,306
December 1, 2023	-	-	-	-	1,045,000	95,306	1,140,306
June 1, 2024	-	-	-	-	-	73,100	73,100
December 1, 2024	-	-	-	-	1,095,000	73,100	1,168,100
June 1, 2025	-	-	-	-	-	49,832	49,832
December 1, 2025	-	-	-	-	1,145,000	49,832	1,194,832
June 1, 2026	-	-	-	-	-	25,500	25,500
December 1, 2026	-	-	-	-	1,200,000	25,500	1,225,500
<b>TOTAL</b>	<b>\$3,690,000</b>	<b>\$ 439,293</b>	<b>\$ 2,665,000</b>	<b>\$ 363,801</b>	<b>\$12,005,000</b>	<b>\$ 3,605,780</b>	<b>\$ 22,768,874</b>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds: (Continued)

Sales Tax Revenue Bonds: (Continued)

The Sales Tax Series 2005 and Sales Tax Series 2006 Bond Indentures provide that all revenues of the Sales Tax Fund are pledged for purposes in the following order of priority:

- a. Reasonable and necessary expenses of collecting the tax;
- b. Payments into the Sales Tax Bond Sinking Fund for each issue of the amount required to pay maturing bonds and coupons, such payments to be made in equal monthly installments;
- c. Payments into the Sales Tax Bond Reserve Fund for each issue for a specified amount per month until the fund reaches an amount equal to the highest future annual principal and interest requirements for any succeeding calendar year;
- d. All revenues not required for the above payments shall be regarded as surplus and may be used by the City for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring future bonds.

In 2011, the City issued \$4,390,000 of Limited Tax Revenue Bonds to refund the Series 2002 Sales Tax Revenue Bonds. The Limited Tax Bonds are supported by the 9.04 mill Ad Valorem tax.

Accumulated Leave

At June 30, 2014, employees of the City have accumulated and vested \$4,106,878 of leave benefits for all governmental funds.

Proprietary Fund Types:

Accumulated Leave

At June 30, 2014, employees of the City who work in the Water and Sewer Departments have accumulated and vested \$431,449 of leave benefits for the proprietary funds.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Proprietary Fund Types: (Continued)

Public Improvement Revenue Bonds

In November of 2013, the City entered into a loan agreement with the Louisiana Department of Environmental Quality (LDEQ) for the purpose of issuing Taxable Sewer Revenue Bonds, Series 2013 for an amount not to exceed \$5,000,000. The Taxable Sewer Revenue Bonds, Series 2013 are secured by and payable from a pledge and dedication of revenues derived from the sewerage system and user fees of the Proprietary Fund. Loan proceeds of \$352,921 were drawn down in 2014. As of June 30, 2014, \$352,921 of such bonds remained outstanding.

Due to Other Governments

The City received Utility Relocation Assistance Funding from the State of Louisiana Department of Transportation and Development in order to relocate certain utility lines throughout the City. This funding is not considered a loan or a grant and no interest is charged; however, it must be repaid to the State. The total amount originally due to the State was \$490,276 of which ten percent of the remaining balance is due annually. No payment was made by the City during the year ended June 30, 2014. The balance due at June 30, 2014 is \$401,248 and is included on the Statement of Net Position in Due to Other Governments. See subsequent events footnote.

In addition, the City also owes the State and local governmental districts \$26,667 as of June 30, 2014.

**10. METER DEPOSITS:**

Meter deposits are paid by customers upon application for utility services and are refundable to them upon termination of service. Receipts from meter deposits are deposited in a meter deposit account and refunds of deposits on termination of service are made from the same account.

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2014, meter deposits amounted to \$759,059 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$759,059.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**II. PENSION PLANS:**

The City contributes to the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana. The City's payroll for employees covered by the retirement systems for the year ended June 30, 2014 was \$12,835,589.

**A. Municipal Employees' Retirement System**

Plan Description - The City contributes to Plan A of the Municipal Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 356 of the 1954 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1731 through 11:1866, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 9.50% of their earnable compensation, and the City is required to contribute at an actuarially determined rate. The current rate is 17% of earnable compensation. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2012	\$ 727,885	99.58%
June 30, 2013	699,910	97.42%
June 30, 2014	833,288	117.93%

The employer contribution from the City differs from the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**II. PENSION PLANS: (Continued)**

**B. Firefighters' Retirement System**

Plan Description - The City contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Capital Station, Baton Rouge, Louisiana 70804-9095.

Funding Policy - Plan members are required to contribute 10% of their earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is 28.25% of annual-covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Firefighters' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2012	\$ 677,211	93.14%
June 30, 2013	650,789	100.98%
June 30, 2014	788,291	100.40%

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**II. PENSION PLANS: (Continued)**

**C. Municipal Police Employees' Retirement System**

Plan Description - The City contributes to the Municipal Police Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MPERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 189 of the 1973 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2211 through 11:2233, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, P.O. Box 94095, Capital Station, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 10% of their annual-covered salary and the City is required to contribute 31% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Police Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2012	\$ 1,300,171	85.83%
June 30, 2013	1,180,273	110.31%
June 30, 2014	1,284,962	82.92%

The employer contribution from the City differs from the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**12. FUND BALANCES**

**Governmental Funds:**

Description:	Major Funds				Total Governmental Funds
	General Fund	Sales Tax Fund	Airport Capital Projects Fund	Other Governmental Funds	
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Long-term receivable	\$ -	\$ -	\$ -	\$ 368,305	\$ 368,305
Prepaid insurance	-	-	-	54,629	54,629
<b>Restricted for:</b>					
Debt service	-	-	-	1,984,285	1,984,225
Public safety: police	-	-	-	528,416	528,416
Downtown development	-	-	-	702,721	702,721
Capital projects	-	-	-	125,266	125,266
<b>Committed to:</b>					
Sales taxes	-	1,193,226	-	-	1,193,226
Emergency reserves	-	-	-	604,507	604,507
Public safety: police	-	-	-	61,928	61,928
Public safety: fire	-	-	-	593,495	593,495
Library trust	-	-	-	34,803	34,803
Capital projects	-	-	113,524	1,749,199	1,862,723
<b>Assigned to:</b>					
Public safety: police	-	-	-	64,228	64,228
Culture and recreation	-	-	-	48,710	48,710
Downtown development	-	-	-	239,943	239,943
Other purposes	-	-	-	598,244	598,244
<b>Unassigned:</b>	<u>760,032</u>	<u>-</u>	<u>-</u>	<u>(41,999)</u>	<u>718,033</u>
<b>Total Fund Balances</b>	<u>\$ 760,032</u>	<u>\$ 1,193,226</u>	<u>\$ 113,524</u>	<u>\$ 7,716,680</u>	<u>\$ 9,783,462</u>

**13. EMERGENCY RESERVE FUND**

With Ordinance No. 06-4048, The Hammond City Council (the Council) established a Disaster Emergency Fund for the purpose of maintaining funds that will be available in the time of emergency to assist with recovery efforts for the City. These amounts may be spent on necessary expenses to expedite the return of the City to normalcy following a nature or man-made disaster. The Fund may be abolished or reduced for use for non-emergency disaster purposes only by regular ordinance and only upon a two-thirds vote of the Council. The fund had a Fund Balance of \$604,507 at June 30, 2014.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**14. RISK MANAGEMENT:**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$350,000 for each worker's compensation claim and \$100,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

The General Fund and Enterprise Fund participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverage are reported as quasi-external transactions. At June 30, 2014, the outstanding claims liability was \$729,656, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2014, 2013 and 2012 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2014	\$ 614,472	\$ 1,141,685	\$ 1,026,501	\$ 729,656
2013	654,090	771,848	811,466	614,472
2012	527,372	1,237,183	1,110,465	654,090

The City has established a Health Insurance Fund (an internal service fund) to account for a partially self-insured health insurance plan that the City provides to its employees. Under this program, the Health Insurance Fund provides partial coverage for employee deductibles. For a single employee, the deductible is \$1,900, of which the City is responsible for \$1,200. For a family, the deductible is \$3,800, of which the City is responsible for \$2,400. Any claims in excess of the above stated deductible amounts are covered by a commercial insurance company.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**14. RISK MANAGEMENT: (Continued)**

At June 30, 2014, the outstanding claims liability was \$85,243. The liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

**15. SUPPLEMENTAL PAY:**

In addition to the compensation paid to the City's employees, employees who are firefighters and police officers may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full time, regular employee of the City fire department who is hired after March 31, 1986 and who has passed a certified firefighters' training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the City obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire department are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees, mechanics and for those employees who have not passed a certified firefighters' training program but are hired after March 31, 1986. State supplemental pay for firefighters' must be taken into account in calculating firefighters' holiday pay and overtime pay.

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**15. SUPPLEMENTAL PAY: (Continued)**

additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

As of June 30, 2014, the City has recognized \$873,402 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

**16. LITIGATION AND CLAIMS:**

At June 30, 2014, the City is a defendant in several lawsuits seeking damages. Possible liabilities arising from these claims and legal actions are immaterial and will not have a significant effect on the financial statements.

**17. LEASES:**

The City entered into an operating lease agreement for the lease of its land. The lease term is for five years, which commenced March 1998, with an option to renew for four five-year periods beginning March 2003. The monthly rent beginning March 1998 was \$1,000, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ended June 30, 2014 was \$68,984.

The City entered into an operating lease agreement for the office space used as the City's Office of Motor Vehicles. The lease term is for five years, which commenced April 2011, with the option to renew for two additional terms of five years each. The monthly rent beginning April 2011 was \$6,244. Rent expense for the year ended June 30, 2014 was \$68,683. The City's future minimum lease commitment under this operating lease as of June 30, 2014 is as follows:

<u>June 30</u>	<u>Amount Due</u>
2015	\$ 74,927
2016	56,195
<b>TOTAL</b>	<b><u>\$ 131,122</u></b>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**18. NOTES RECEIVABLE:**

General Fund

The City entered into a fifteen year promissory note with a partnership to assist in the renovation of a building. The value of the note was \$180,000 with an annual interest rate of 6.42%. The collateral pledged on the note is the renovated building. Annual payments were due to the City only to the extent that the partnership had “cash flow” as defined in the note. If “cash flow” was less than the amount of the annual installment, the amount of unpaid interest and principal was deferred, due and payable on March 30, 2014. The partnership has not made any payments as of June 30, 2014 as the “cash flow” requirements were not met. The City is currently assessing all available options to determine the best course of action.

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the City. The terms of the loans range from five to ten years with interest rates ranging from .75% to 5.75%. As the loans are paid off, the City enters into other low interest loans with businesses in the City. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years and beyond is as follows:

<u>June 30</u>	<u>Amount Due</u>
2015	\$ 91,704
2016	64,184
2017	43,856
2018	38,502
2019	35,644
Thereafter	94,395
<b>TOTAL</b>	<b><u>\$ 368,305</u></b>

**19. COMMITMENTS:**

The City has entered into various construction contracts. The original amount of the contracts was \$9,368,397, of which \$4,749,453 has been expended as of June 30, 2014.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS:**

Plan Description

The City's medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

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

City Ordinance Number 03-2942, C.S. states that the City may choose to discontinue the Program at any time upon one year's notice.

Contribution Rates

For employees with at least twelve years but less than twenty years of continuous service and elected officials with at least eight years of continuous service, the City contributes 25% of the individual employee premium, not to exceed \$350 per month. For employees with twenty or more years of continuous service, the City contributes 50% of the individual employee premium, not to exceed \$350. For the year ended June 30, 2014, the retiree portion of the monthly premium ranged from \$196 to \$418, and the City's portion ranged from \$98 to \$205.

Funding Policy

Until Fiscal Year Ended June 30, 2008, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning July 1, 2008, the City implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

In Fiscal Year Ended June 30, 2014, the City's portion of health care funding cost for retired employees totaled \$67,753. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

Annual Required Contribution

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning July 1, 2013 is \$132,100, as set forth below:

Normal Cost	\$ 44,697
30-year UAL amortization amount	87,403
Annual required contribution (ARC)	<u>\$ 132,100</u>

Net Other Post-Employment (OPEB) Obligation

The table below shows the City's Net Other Postemployment Benefit (OPEB) Obligation for fiscal year ended June 30, 2014:

Annual required contribution (ARC)	\$ 132,100
Interest on net OPEB obligation	12,596
ARC Adjustment	<u>(18,211)</u>
Annual OPEB Cost	126,485
Current year retiree premium	<u>(67,753)</u>
Change in Net OPEB Obligation	58,732
Beginning Net OPEB Obligation – 7/1/13	<u>314,901</u>
Ending Net OPEB Obligation – 6/30/14	<u>\$ 373,633</u>

The following table shows the City's annual other postemployment benefits (OPEB) cost, percentage of the cost contributed, and the net unfunded other post-employment benefits (OPEB) liability:

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Other Post-Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	June 30, 2012	\$ 128,475	48.8%	\$ 265,971
Medical	June 30, 2013	122,227	60.0%	314,901
Medical	June 30, 2014	126,485	62.6%	373,633

Funded Status and Funding Progress

In the fiscal year ended June 30, 2014, the City made no contributions to its other post-employment benefits plan. The plan was not funded at all, has no plan assets, and hence has a funded ratio of zero. As of July 1, 2012, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$1,511,270, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Unit Credit Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded, the entire actuarial accrued liability of \$1,511,270 was unfunded.

Actuarial Accrued Liability (AAL)	\$ 1,511,270
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,511,270
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0 %
Covered Payroll (active plan members)	\$ 12,835,589
UAAL as a percentage of covered payroll	11.8 %

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for other postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Actuarial Cost Method

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

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement No. 45 would be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 6%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 – 25	10.0%
26 – 40	7.0%
41 – 54	5.0%
55 +	3.0%

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence five years after D.R.O.P. entry, as described above under "Plan Description" (three years in D.R.O.P. and two additional years). Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

The investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB Statement No. 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for a variable percentage of the retiree portion of the coverage (not dependents) for retiring employees based on length of service at retirement, but it is based on the blended active/retired rate. For those retiring with at least 20 years of service the retiree pays 50% of the blended rate; for at least 12 years of service but less than 20 years, the retiree pays 75% of the blended rate; for less than 12 years of service the retiree pays 100% of the blended rate. Employer payment for retiree coverage ceases at Medicare eligibility at age 65. Since GASB Statement No. 45 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the total "unblended" rates for retirees before Medicare eligibility to be 130% of the blended active/retired rate, with the employer assumed to pay the difference between that unblended rate and the employee contribution of the blended rate as discussed above.

Inflation Rate

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

Projected Salary Increases

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

Post-retirement Benefit Increases

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

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2014*

**21. SUBSEQUENT EVENTS**

In November of 2014, the City introduced an ordinance to accept, through the State of Louisiana's Department of Transportation and Development, future rights, obligations and liabilities, including, but not limited to, all future operation, maintenance and repairs associated with state route LA 3260 and a portion of state route LA 7065, owned by the State of Louisiana. The Department of Transportation and Development shall provide \$449,473 in road transfer credits which will apply to the debt owed to them, as described in Note 9.

In November of 2014, the City introduced an ordinance authorizing the sale of Sales Tax Refunding Bonds, not to exceed \$13,500,000 to refund Sales Tax Bonds, Series 2005 and Sales Tax Bonds, Series 2006.

Subsequent events were evaluated through \_\_\_\_\_, which is the date the financial statements were available to be issued. Other than the item noted above, no material subsequent events have occurred since June 30, 2014 that requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

DRAFT COPY  
Subject to Change

**CITY OF HAMMOND**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 5,147,471	\$ 5,147,471	\$ 5,329,272	\$ 181,801
Licenses and permits	1,655,000	1,655,000	1,742,731	87,731
Federal grant revenue	-	-	16,138	16,138
State grant revenue	10,000	10,000	9,284	(716)
Cemeteries and municipal grounds	100,000	100,000	119,500	19,500
Highways and streets	20,000	20,000	20,930	930
Public safety: police	40,000	40,000	27,493	(12,507)
Public safety: fire	325,000	325,000	268,862	(56,138)
Gaming revenues	612,000	612,000	515,390	(96,610)
Fines and forfeitures	500,000	500,000	434,055	(65,945)
Sanitation service fees	750,000	750,000	831,304	81,304
State supplemental pay	930,000	930,000	873,402	(56,598)
Parks and recreation	55,500	55,500	69,240	13,740
Donations	-	-	1,461	1,461
Interest	5,000	5,000	5,535	535
Miscellaneous	341,609	341,609	381,792	40,183
<b>TOTAL REVENUES</b>	<b>10,491,580</b>	<b>10,491,580</b>	<b>10,646,389</b>	<b>154,809</b>
<b>EXPENDITURES</b>				
General government	4,429,986	4,471,796	4,349,776	122,020
Public Safety				
Police	8,309,530	8,296,740	7,975,480	321,260
Fire	5,285,000	5,285,000	5,211,546	73,454
Buildings	686,250	686,250	537,656	148,594
Highways and streets	1,975,300	1,975,300	2,046,913	(71,613)
Cemeteries and municipal grounds	1,110,800	1,110,800	1,033,900	76,900
Sanitation	780,000	780,000	838,080	(58,080)
Airport	382,354	382,354	361,114	21,240
Parks and recreation	680,300	680,300	609,259	71,041
Capital outlay	670,578	678,769	409,126	269,643
<b>TOTAL EXPENDITURES</b>	<b>24,310,098</b>	<b>24,347,309</b>	<b>23,372,850</b>	<b>974,459</b>
Excess (deficiency) of revenues over expenditures	(13,818,518)	(13,855,729)	(12,726,461)	1,129,268
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	15,850,000	15,900,000	15,931,680	31,680
Operating transfers (out)	(2,744,040)	(2,744,040)	(3,336,986)	(592,946)
<b>Total other financing sources (uses)</b>	<b>13,105,960</b>	<b>13,155,960</b>	<b>12,594,694</b>	<b>(561,266)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(712,558)	(699,769)	(131,767)	568,002
Fund balances, beginning	900,000	900,000	891,799	(8,201)
Fund balances, ending	\$ 187,442	\$ 200,231	\$ 760,032	\$ 559,801

**CITY OF HAMMOND**  
**BUDGETARY COMPARISON SCHEDULE**  
**SALES TAX FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Sales and use tax	\$ 17,260,000	\$ 18,260,000	\$ 18,278,671	\$ 18,671
Interest	3,000	3,000	2,172	(828)
<b>TOTAL REVENUES</b>	<b>17,263,000</b>	<b>18,263,000</b>	<b>18,280,843</b>	<b>17,843</b>
<b>EXPENDITURES</b>				
Public safety				
Fire	-	7,650	-	7,650
Buildings	-	-	7,650	(7,650)
Highways and streets	95,572	95,572	-	95,572
Parks and recreation	15,000	15,000	-	15,000
Capital outlay	467,000	-	109,608	(109,608)
<b>TOTAL EXPENDITURES</b>	<b>577,572</b>	<b>118,222</b>	<b>117,258</b>	<b>964</b>
Excess (deficiency) of revenues over expenditures	16,685,428	18,144,778	18,163,585	18,807
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers (out)	(17,544,921)	(18,361,921)	(18,061,921)	300,000
<b>Total other financing sources (uses)</b>	<b>(17,544,921)</b>	<b>(18,361,921)</b>	<b>(18,061,921)</b>	<b>300,000</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(859,493)	(217,143)	101,664	318,807
Fund balances, beginning	860,000	1,091,562	1,091,562	-
Fund balances, ending	<u>\$ 507</u>	<u>\$ 874,419</u>	<u>\$ 1,193,226</u>	<u>\$ 318,807</u>

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**THE CITY'S OPEB PLAN**  
**FOR THE YEARS ENDED JUNE 30, 2014, 2013, AND 2012**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
06/30/12	07/01/2010	\$ -	\$ 1,468,880	\$ 1,468,880	0%	\$12,788,298	11%
06/30/13	07/01/2012	-	1,453,144	1,453,144	0%	12,999,366	11%
06/30/14	07/01/2012	-	1,511,270	1,511,270	0%	12,835,589	12%

The actuarial valuation date differs from the financial reporting date. The actuarial valuations are as of the beginning of the fiscal year. An actuarial valuation is only required biennially.

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**OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF HAMMOND, LOUISIANA**  
 COMPENSATION PAID - MAYOR AND CITY COUNCIL MEMBERS  
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Mayson Foster	Mayor	\$ 79,700
Johnny Blount	City Council – District 1	12,600
Jason Hood	City Council – District 2	12,600
Robert Martin	City Council – District 3	12,600
Lemar Marshall	City Council – District 4	12,600
Michael Williams	City Council – District 5	<u>12,600</u>
		<u>\$ 142,700</u>

The schedule of compensation paid to the Mayor and City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members is \$1,000 per month as well as a \$50 cell phone allowance. The salary of the Mayor of the City shall be \$75,500 per annum.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayson Foster, Mayor  
and Members of the City Council  
City of Hammond, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated \_\_\_\_\_. Our report includes a reference to other auditors who audited the financial statements of the Marshal's Office – City Court of Hammond, Louisiana and the City Court of Hammond, Louisiana, as described in our report of the City of Hammond's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item I4-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated \_\_\_\_\_.

### **The City's Responses to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

To the Honorable Mayson Foster, Mayor  
and Members of the City Council  
City of Hammond, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hammond, Louisiana's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

## **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal CFDA Number	Grant Number		Expenditures
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**MAJOR FEDERAL AWARDS**

**U.S. Department of Transportation**

Direct Program:

N/A	N/A	Airport Tower	\$ 572,055
<b>Total Department of Transportation</b>			<b><u>\$ 572,055</u></b>

**U.S. Environmental Protection Agency**

Passed through the State of Louisiana Department of Environmental Quality:

66.458	CS-221741-01	Sewer System Infiltration & Inflow	\$ 879,725
<b>Total Environmental Protection Agency</b>			<b><u>\$ 879,725</u></b>

**TOTAL MAJOR FEDERAL AWARD EXPENDITURES** **\$ 1,451,780**

**NONMAJOR FEDERAL AWARDS**

**U.S. Department of Agriculture**

Direct Program:

10.168	12-25-G-1337	Farmers' Market Promotion Program	\$ 22,935
<b>Total Department of Agriculture</b>			<b><u>\$ 22,935</u></b>

**U.S. Department of Commerce**

Passed through the State of Louisiana Division of Administration:

11.558	CFMS-725354	State Broadband Date and Development Grant Program	\$ 30,000
<b>Total Department of Commerce</b>			<b><u>\$ 30,000</u></b>

**U.S. Department of Housing & Urban Development**

Passed through the Louisiana Housing Corporation:

14.231	LHA-13-15-08	Emergency Shelter Grant Program	\$ 19,468
14.231	CFMS-714288	Emergency Shelter Grant Program	<u>10,084</u>
<b>Total Department of Housing &amp; Urban Development</b>			<b><u>\$ 29,552</u></b>

See Notes to Schedule of Expenditures of Federal Awards.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**YEAR ENDED JUNE 30, 2014**

Federal CFDA Number	Grant Number		Expenditures
<b>U.S. Department of Justice</b>			
Direct Program:			
16.607	BA-2000S-SM01	Bulletproof Vest Partnership Program	\$ 1,819
16.607	BA-2000S-SM01	Bulletproof Vest Partnership Program	4,434
16.738	2012-DJ-BX-0483	Edward Byrne Memorial Justice Assistance Grant Program	12,500
16.738	2013-DJ-BX-0192	Edward Byrne Memorial Justice Assistance Grant Program	<u>28,363</u>
			47,116
Passed through the State of Louisiana Commission on Law Enforcement:			
16.922	N/A	Equitable Sharing Program	16,127
16.523	2012-JB-01-1605	Juvenile Accountability Block Grant	7,500
16.523	2011-JB-01-1093	Juvenile Accountability Block Grant	3,750
16.738	2013-MU-BX-0063	Edward Byrne Memorial Justice Assistance Grant Program	<u>15,163</u>
			<u>42,540</u>
<b>Total Department of Justice</b>			<u><u>\$ 89,656</u></u>
<b>U.S. Department of Transportation</b>			
Passed through the State of Louisiana Department of Transportation and Development:			
20.205	737-53-0012	Safe Routes to School Sidewalk Grant	\$ 9,138
20.205	H.003432 & H.010087	Clearing & Grubbing	<u>148,594</u>
			157,732
Passed through the State of Louisiana Highway Safety Commission:			
20.600	PT-2012-30-28	State and Community Highway Safety	11,886
20.600	2014-30-29	State and Community Highway Safety	<u>28,407</u>
			<u>40,293</u>
<b>Total Department of Transportation</b>			<u><u>\$ 198,025</u></u>
<b>U.S. Environmental Protection Agency</b>			
Passed through the State of Louisiana Department of Environmental Quality:			
66.125	BR-00F63101	Lake Pontchartrain Basin Restoration Program	\$ 72,282
66.125	BR-00F40501	Lake Pontchartrain Basin Restoration Program	87,721
66.125	BR-00F77001	Lake Pontchartrain Basin Restoration Program	<u>22,968</u>
<b>Total Environmental Protection Agency</b>			<u><u>\$ 182,971</u></u>

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**YEAR ENDED JUNE 30, 2014**

Federal CFDA Number	Grant Number		Expenditures
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**U.S. Department of Health & Human Services**

Passed through the State of Louisiana Department of Health and Hospitals:

93.259	H3DRH24178	Rural Access to Emergency Devises Grant and Public Access to Defibrillation Demonstration Grant	\$ <u>96,212</u>
<b>Total Department of Health &amp; Human Services</b>			<b>\$ <u>96,212</u></b>
<b>TOTAL NONMAJOR FEDERAL AWARD EXPENDITURES</b>			<b>\$ <u>649,351</u></b>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>\$ <u>2,101,131</u></b>

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**CITY OF HAMMOND, LOUISIANA**

*NOTES TO SCHEDULE OF EXPENDITURES*

*OF FEDERAL AWARDS*

*FOR THE YEAR ENDED JUNE 30, 2014*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Schedule of Expenditures of Federal Awards of the City has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

**2. DETERMINATION OF TYPE A AND TYPE B PROGRAMS:**

Federal awards programs are classified as either Type A or Type B programs. For the year ended June 30, 2014, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

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**CITY OF HAMMOND, LOUISIANA**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED JUNE 30, 2014*

SUMMARY OF AUDITORS' RESULTS:

1. The opinion issued on the financial statements of the City for the year ended June 30, 2014 was unmodified.
2. The audit disclosed no instances of noncompliance, which were material to the financial statements of the City.
3. An unmodified opinion was issued on compliance for major programs of the City for the year ended June 30, 2014.
4. The City had two major programs as follows:

CFDA Number

Name of Federal Program

N/A

Federal Aviation Administration  
FAA Contract Tower Program

66.458

Sewer System Infiltration & Inflow

Type A programs are those programs with Federal awards expended during the current year ended June 30, 2014 exceeding \$300,000. There was two Type A programs noted during the year.

5. The City did qualify as a low-risk auditee.
6. Findings Required To Be Reported Under Generally Accepted Government Auditing Standards:

Significant Deficiencies:

14-001

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**CITY OF HAMMOND, LOUISIANA**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*FOR THE YEAR ENDED JUNE 30, 2014*

Condition:

Management has chosen to engage the auditor to prepare the annual financial statements in accordance with GAAP. Under GAAP, this condition represents a significant deficiency in internal controls. AU-C Section 265 requires that we report the above condition as a control deficiency. This section does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor of deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Cause:

Management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the City's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established.

Effect:

Engaging the auditor to prepare the annual financial statements in accordance with GAAP is a significant deficiency in internal control.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying AU-C Section 265's reporting requirements. Because prudent management requires that the potential benefit from an internal control should exceed its costs, it may not be practical to correct all the deficiencies an auditor reports under AU-C Section 265. As such, we do not believe that any corrective action is necessary.

Management's Response:

Management concurred with the recommendation. See management's corrective action plan.

**CITY OF HAMMOND, LOUISIANA**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*FOR THE YEAR ENDED JUNE 30, 2014*

Status of Prior Year Comments:

(13-001) Currently, the City does not have controls in place to prepare its annual financial statements with required disclosures. The lack of a complete GAAP financial reporting package prepared by the City could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements. We recommend that the City review its system to determine the feasibility of implementing controls to prepare financial statements with disclosures on an annual basis. This finding is repeated through current year finding 14-001.

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