

CITY OF HAMMOND, LOUISIANA

ANNUAL FINANCIAL REPORT

June 30, 2015

CITY OF HAMMOND, LOUISIANA

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CITY OF HAMMOND, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

To the Honorable Pete Panepinto, 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, 2015, 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, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and Schedule of Employer's Proportionate Share of the Net Pension Liability, Schedule of Employer's Pension Contributions, and Schedule of Funding Progress for the City's OPEB Plan, found on pages 4-14, 97, 98, and 99, respectfully, 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 and schedule of compensation, benefits, and other

payments to agency head is presented for purposes of additional analysis. The schedule of federal awards is 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 and schedule of compensation, benefits, and other payments to agency head 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 and the schedule of compensation, benefits, and other payments to agency heads are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 21, 2015, 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.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 21, 2015

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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 \$18,459,017.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,867,006, an increase of \$83,544 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,212,598.
- The City's total liabilities in the Statement of Net Position at the end of the current fiscal year were \$59,650,033 in comparison to \$29,131,676 in the prior year.
- The City received \$724,064 in gaming revenue from Video Bingo. The City's General Fund received 75% of the gross proceeds or \$543,048 and the Children's Museum Fund received 25% of the proceeds or \$181,016.
- The City's sales tax revenue increased by \$566,627 in comparison to the prior year. The City of Hammond collected \$18,845,298.
- The City's enterprise fund experienced a decrease in net position of \$475,481 in comparison to the prior year.
- The City continued its sewer improvements with the \$5 million low-interest loan through the Clean Water State Revolving Program. The project focused on rehabilitating the sewer system in Old Hammond to correct inflow and infiltration problems, thus ensuring the City's wastewater compliance.
- The roundabout enhancement project began in January of 2015. Fortunately, sales tax revenue continued to increase even during the major construction stages when the corridor squeezed to single lanes of traffic.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2015

- The Police and Fire Departments leveraged operating funds with federal and state grants to purchase new equipment. The Police Department equipped every officer with a body camera and upgraded the recording equipment in the interrogation room. The Fire Department purchased jaws-of-life tools and mobile radios.
- The air traffic control tower at the Hammond Northshore Regional Airport was commissioned in December 2014, which brought more traffic and fuel sales revenue to the airport. The airport is projected to be one of the largest growth areas for Hammond in the coming years.
- City Administration was extremely concerned that State budget cuts would result in the cancellation of the Inventory Tax, which could have opened a \$1 million hole in the budget mid-year. The legislators negotiated to keep the Inventory Tax in place, but this option remains possible for FY 2016 when a new governor takes office.

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, 2015

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, 2015

At June 30, 2015, the City's governmental funds reported combined fund balances of \$9,867,006, an increase of \$83,544 in comparison with the prior year. Approximately 12.3% of this amount (\$1,212,598) 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 (\$492,382) 2) restricted for particular purposes (\$2,803,725), 3) committed for particular purposes (\$4,664,866), or 4) assigned for particular purposes (\$693,435).

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 \$1,212,598. The Fund balance increased \$452,566. 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 5% of total general fund expenditures.

The Sales Tax Fund, a major fund, had a \$295,296 decrease in fund balance during the current fiscal year which put the overall fund balance at \$897,930 as of June 30, 2015. The entire fund balance has been committed for particular purposes by the City.

The Capital Projects Fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$513,291 to bring the year end fund balance to \$2,262,490. The increase is primarily the result of transfers for project expenditures. 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, 2015

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 - 93 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 \$36,231,880 at the close of the most recent fiscal year.

In accordance with GASB No. 68 the City had to record the net pension liability of the three retirement plans that service the City. This has caused a deficit unrestricted amount. By far the largest portion of the City's net position 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 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, 2015

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

City of Hammond, Louisiana
Net Position

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>	Business-Type Activities <u>2015</u>	Business-Type Activities <u>2014</u>	Total <u>2015</u>	Total <u>2014</u>
ASSETS:						
Current and other assets	\$ 19,533,812	\$ 12,947,233	\$ 3,894,614	\$ 3,518,713	\$ 23,428,426	\$ 16,465,946
Land	4,395,711	4,436,399	158,047	158,047	4,553,758	4,594,446
Construction in progress	3,119,890	3,821,386	3,551,716	1,019,768	6,671,606	4,841,154
Capital assets (net of accumulated depreciation)	<u>44,903,812</u>	<u>44,661,134</u>	<u>16,498,964</u>	<u>17,574,775</u>	<u>61,402,776</u>	<u>62,235,909</u>
TOTAL ASSETS	<u>71,953,225</u>	<u>65,866,152</u>	<u>24,103,341</u>	<u>22,271,303</u>	<u>96,056,566</u>	<u>88,137,455</u>
DEFERRED OUTFLOWS OF RESOURCES:						
	<u>4,129,511</u>	<u>-</u>	<u>107,674</u>	<u>-</u>	<u>4,237,185</u>	<u>-</u>
LIABILITIES:						
Other liabilities	10,869,255	4,445,419	2,725,510	2,516,376	13,594,765	6,961,795
Noncurrent liabilities	<u>42,447,846</u>	<u>21,347,495</u>	<u>3,607,422</u>	<u>822,386</u>	<u>46,055,268</u>	<u>22,169,881</u>
TOTAL LIABILITIES	<u>53,317,101</u>	<u>25,792,914</u>	<u>6,332,932</u>	<u>3,338,762</u>	<u>59,650,033</u>	<u>29,131,676</u>
DEFERRED INFLOWS OF RESOURCES:						
	<u>4,306,618</u>	<u>-</u>	<u>105,220</u>	<u>-</u>	<u>4,411,838</u>	<u>-</u>
NET POSITION:						
Net invested in capital assets	34,412,587	33,691,585	20,208,727	18,752,590	54,621,314	52,444,175
Restricted for:						
Debt service	2,129,686	2,792,234	-	-	2,129,689	2,792,234
Capital Projects	2,310,891	1,875,353	-	-	2,310,891	1,875,353
Unrestricted	<u>(20,414,168)</u>	<u>1,714,066</u>	<u>(2,435,864)</u>	<u>179,951</u>	<u>(22,830,014)</u>	<u>1,894,017</u>
TOTAL NET POSITION	<u>\$ 18,459,017</u>	<u>\$ 40,073,238</u>	<u>\$ 17,772,863</u>	<u>\$ 18,932,541</u>	<u>\$ 36,231,880</u>	<u>\$ 59,005,779</u>

Capital Assets

There was a net decrease in Capital Assets of \$ 833,133 for the year ended June 30, 2015. This decrease is primarily the result of depreciation expense and the sale of Airport Land.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2015

Long Term Debt

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

Governmental Funds:

	<u>Balance</u> <u>06/30/2015</u>	<u>Balance</u> <u>06/30/2014</u>
Sales Tax Bonds, Series 2005	\$ -	\$ 2,665,000
Sales Tax Bonds, Series 2006	1,475,000	12,005,000
Limited Tax Revenue Bonds, Series 2011	3,325,000	3,690,000
Sales Tax Bonds, Series 2015	<u>11,000,000</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 15,800,000</u>	<u>\$ 18,360,000</u>

At year-end, the City of Hammond had \$15,800,000 in bonds outstanding, which was a decrease of 13.9% 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>06/30/2015</u>	<u>Balance</u> <u>06/30/2014</u>
Revenue Bonds, Series 2013	<u>\$ 2,504,580</u>	<u>\$ 352,921</u>
TOTAL PROPRIETARY FUNDS	<u>\$ 2,504,580</u>	<u>\$ 352,921</u>

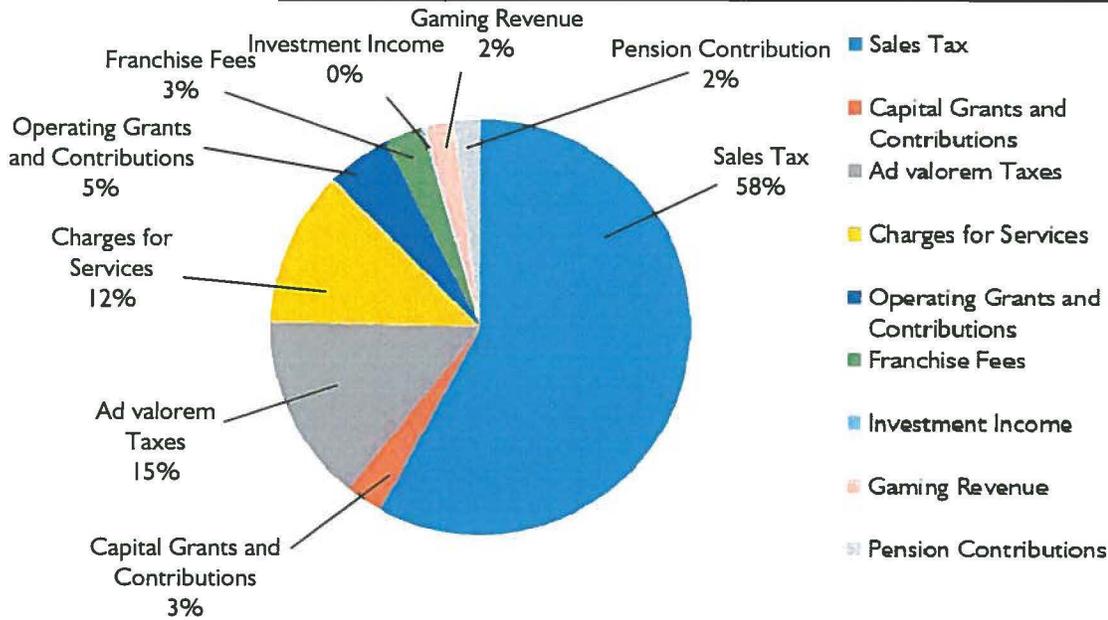
CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2015

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:

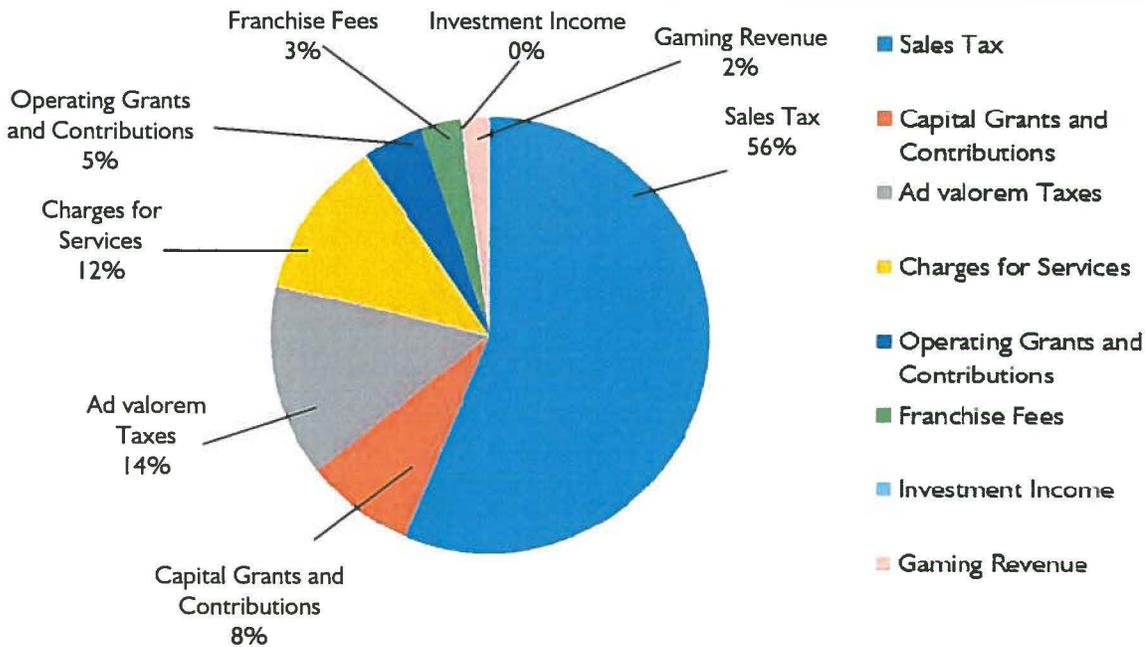
	City of Hammond, Louisiana					
	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program revenues:						
Charges for services	\$ 3,974,918	\$ 3,846,246	\$ 4,274,886	\$ 4,440,653	\$ 8,249,804	\$ 8,286,899
Operating grants and contributions	1,612,817	1,441,535	-	-	1,612,817	1,441,535
Capital grants and contributions	944,429	2,622,066	711,694	227,529	1,656,123	2,849,595
General revenues:						
Sales tax	18,845,298	18,278,671	-	-	18,845,298	18,278,671
Ad valorem taxes	4,737,804	4,646,404	-	-	4,737,804	4,646,404
Franchise fees	942,892	941,893	-	-	942,892	941,893
Investment earnings	62,304	33,006	12,324	5,958	74,628	38,964
Gaming revenues	724,064	687,188	-	-	724,064	687,188
Transfers	370,000	335,440	(370,000)	(335,440)	-	-
Gain on disposal of capital assets	290,111	20,494	-	-	290,111	20,494
Pension contributions from non-employer contributing entities	709,992	-	16,195	-	726,187	-
Total revenues	<u>33,214,629</u>	<u>32,852,943</u>	<u>4,645,099</u>	<u>4,338,700</u>	<u>37,859,728</u>	<u>37,191,643</u>
EXPENSES:						
General government	6,219,278	5,651,787	-	-	6,219,278	5,651,787
Economic development	251,460	287,436	-	-	251,460	287,436
Urban redevelopment	-	96,186	-	-	-	96,186
Public safety - police/fire	16,520,610	14,892,597	-	-	16,520,610	14,892,597
Public works	4,137,892	2,417,989	-	-	4,137,892	2,417,989
Health and sanitation	967,565	838,080	-	-	967,565	838,080
Culture and recreation	1,056,153	1,133,190	-	-	1,056,153	1,133,190
Airport	1,982,855	2,726,605	-	-	1,982,855	2,726,605
Cemeteries and municipal grounds	1,330,755	1,181,691	-	-	1,330,755	1,181,691
Water and sewer operating expenses	-	-	5,120,580	5,145,007	5,120,580	5,145,007
Paying agent fees on long-term debt	1,350	1,150	-	-	1,350	1,150
Interest on long-term debt	516,643	732,908	-	-	516,643	732,908
Total expenses	<u>32,984,561</u>	<u>29,959,619</u>	<u>5,120,580</u>	<u>5,145,007</u>	<u>38,105,141</u>	<u>35,104,626</u>
Increase (decrease) in net position	230,068	2,893,324	(475,481)	(806,307)	(245,413)	2,087,017
Net position - beginning of year (originally stated)	40,073,238	37,179,914	18,932,541	19,738,848	59,005,779	56,918,762
Prior period adjustment	(21,844,289)	-	(684,197)	-	(22,528,486)	-
Net position - beginning of year (restated)	<u>18,228,949</u>	<u>37,179,914</u>	<u>18,248,344</u>	<u>19,738,848</u>	<u>36,477,293</u>	<u>-</u>
Net position - end of year	<u>\$ 18,459,017</u>	<u>\$ 40,073,238</u>	<u>\$ 17,772,863</u>	<u>\$ 18,932,541</u>	<u>\$ 36,231,880</u>	<u>\$ 59,005,779</u>

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
 June 30, 2015

Revenues by Source – Governmental Activities June 30, 2015



Revenues by Source – Governmental Activities June 30, 2014



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2015

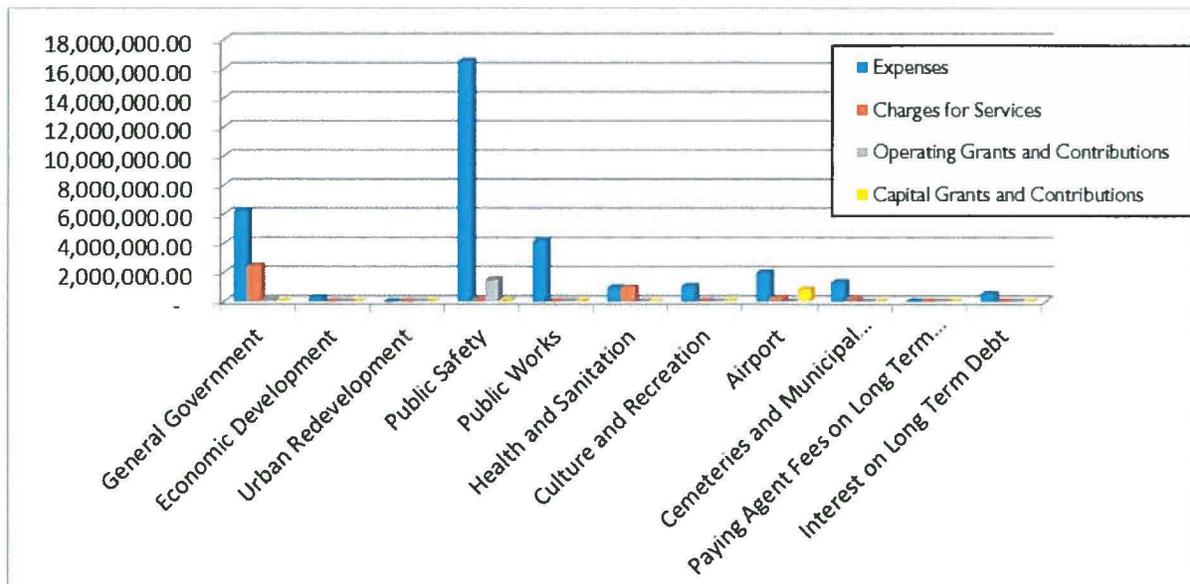
The following chart reflects the City's revenues for the years ended June 30, 2015 and 2014:

<u>Revenues</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Difference</u>
Sales Tax	\$ 18,845,298	\$ 18,278,671	\$ 566,627
Capital Grants and Contributions	944,429	2,622,066	(1,677,637)
Ad valorem Taxes	4,737,804	4,646,404	91,400
Charges for Services	3,974,918	3,846,246	128,672
Operating Grants and Contributions	1,612,817	1,441,535	171,282
Franchise Fees	942,892	941,893	999
Investment Income	62,304	33,006	29,298
Gaming Revenue	724,064	687,188	36,876
Pension Contributions from non-employer contributing entities	<u>709,992</u>	<u>-</u>	<u>709,992</u>
Total Revenues	<u>\$ 32,554,518</u>	<u>\$ 32,497,009</u>	<u>\$ 57,509</u>

The cost of all governmental activities for the year ended June 30, 2015 was \$32,984,561. The Statement of Activities for the year ended June 30, 2015 on page 17 shows that those who use the services financed \$3,974,918 and \$2,557,246 was financed by grants and contributions with the City's general revenues financing \$26,682,465.

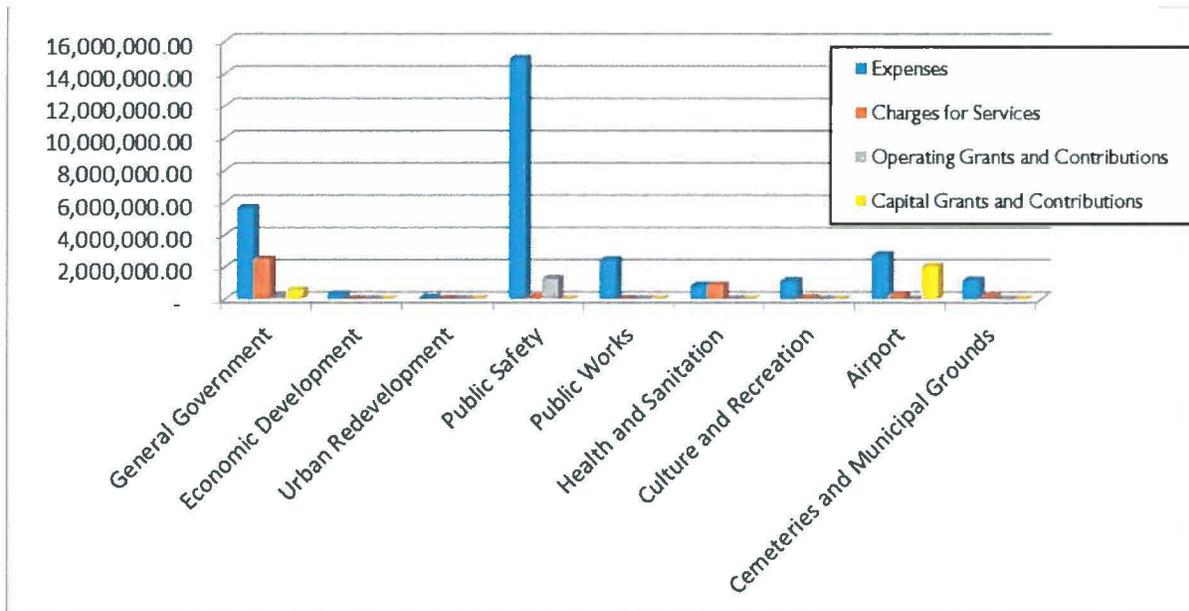
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

**Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2015**



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
June 30, 2015

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



Request for Information

Questions concerning any financial information provided or request for additional financial information should be addressed to Syeda Naeem, 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)**

CITY OF HAMMOND, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
ASSETS					
Cash and cash equivalents	\$ 5,357,580	\$ 1,321,817	\$ 6,679,397	\$ 282,592	\$ 197,118
Investments at cost	-	-	-	589,526	73,020
Receivables					
Customers (net of allowance for doubtful accounts of \$50,000)	-	716,900	716,900	-	-
Franchise taxes receivable	203,749	-	203,749	-	-
Notes receivable	950,975	-	950,975	-	-
Other receivable	197,202	-	197,202	-	1,574
Prepaid insurance	625,247	-	625,247	-	11,100
Due from other governments	3,987,129	414,409	4,401,538	40,058	53,831
Restricted assets					
Cash and cash equivalents	932,883	791,488	1,724,371	112,746	-
Investments	-	-	-	129,085	-
Internal balances	-	-	-	71,754	-
Due from other funds	7,279,047	650,000	7,929,047	-	-
Land	4,395,711	158,047	4,553,758	-	-
Construction in progress	3,119,890	3,551,716	6,671,606	-	-
Capital assets (net of accumulated depreciation)	44,903,812	16,498,964	61,402,776	264,044	35,140
TOTAL ASSETS	71,953,225	24,103,341	96,056,566	1,489,805	371,783
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on bond refunding	171,655	-	171,655	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,063,826	18,972	1,082,798	-	18,237
Differences between expected and actual experience	-	-	-	13,296	-
Contributions subsequent to the measurement date	2,894,030	88,702	2,982,732	36,234	86,270
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,129,511	107,674	4,237,185	49,530	104,507
LIABILITIES					
Accounts payable	493,259	359,178	852,437	75,914	3,799
Payroll taxes payable	125,019	-	125,019	-	-
Salaries payable	359,168	-	359,168	24,360	23,292
Claims payable	454,524	-	454,524	-	-
Claims incurred but not reported	8,315	-	8,315	-	-
Due to other governments	163,803	49,420	213,223	-	-
Interest payable	68,037	-	68,037	-	-
Retainage payable	40,000	-	40,000	-	-
Unearned grant income	20,255	335,060	355,315	-	-
Unavailable income	315,012	-	315,012	-	-
Other payable	432,816	170,364	603,180	-	5,912
Accumulated leave payable	-	-	-	24,960	-
Due to other funds	6,909,047	1,020,000	7,929,047	-	-
Payable from restricted assets					
Customers' deposits	-	791,488	791,488	-	-
Bonds payable - current portion	1,480,000	-	1,480,000	-	-
Noncurrent liabilities					
Other post-employment benefits payable	325,608	36,848	362,456	-	-
Bonds payable	15,786,812	2,504,579	18,291,391	-	-
Other payable	-	-	-	-	8,514
Accumulated leave payable	4,082,256	342,098	4,424,354	38,987	7,341
Net pension liability	22,253,170	723,897	22,977,067	166,054	711,172
TOTAL LIABILITIES	53,317,101	6,332,932	59,650,033	330,275	760,030
DEFERRED INFLOWS OF RESOURCES					
Changes in proportion and differences between contributions and proportionate share of contributions	253,415	-	253,415	11,059	-
Differences between expected and actual experience	648,642	38,058	686,700	-	37,389
Net difference between projected and actual earnings on pension plan investments	3,404,561	67,162	3,471,723	20,710	65,981
TOTAL DEFERRED INFLOWS OF RESOURCES	4,306,618	105,220	4,411,838	31,769	103,370
NET POSITION					
Net invested in capital assets	34,412,587	20,208,727	54,621,314	264,044	13,373
Restricted for:					
Debt Service	2,129,689	-	2,129,689	-	-
Capital projects	2,310,891	-	2,310,891	-	-
Judicial building fund	-	-	-	176,874	-
Unrestricted	(20,394,150)	(2,435,864)	(22,830,014)	736,373	(400,483)
TOTAL NET POSITION	\$ 18,459,017	\$ 17,772,863	\$ 36,231,880	\$ 1,177,291	\$ (387,110)

CITY OF HAMMOND, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	
Primary government								
Governmental activities:								
General government	\$ 6,219,278	\$ 2,458,754	\$ 82,030	\$ -	\$ (3,678,494)	\$ -	\$ (3,678,494)	
Economic development	251,460	-	-	-	(251,460)	-	(251,460)	
Urban redevelopment	-	-	-	-	-	-	-	
Public safety: police	9,916,229	117,202	673,793	68,900	(9,056,334)	-	(9,056,334)	
Public safety: fire	6,604,381	-	827,083	-	(5,777,298)	-	(5,777,298)	
Public works	4,137,892	-	29,911	30,857	(4,077,124)	-	(4,077,124)	
Health and sanitation	967,565	959,971	-	11,148	3,554	-	3,554	
Culture and recreation	1,056,153	50,354	-	5,010	(1,000,789)	-	(1,000,789)	
Airport	1,982,855	252,567	-	828,514	(901,774)	-	(901,774)	
Cemeteries and municipal grounds	1,330,755	136,070	-	-	(1,194,685)	-	(1,194,685)	
Paying agent fees on long-term debt	1,350	-	-	-	(1,350)	-	(1,350)	
Interest on long-term debt	516,643	-	-	-	(516,643)	-	(516,643)	
Total governmental activities	<u>32,984,561</u>	<u>3,974,918</u>	<u>1,612,817</u>	<u>944,429</u>	<u>(26,452,397)</u>	<u>-</u>	<u>(26,452,397)</u>	
Business-type activities:								
Water and sewer	5,120,580	4,274,886	-	711,694	-	(134,000)	(134,000)	
Total business-type activities	<u>5,120,580</u>	<u>4,274,886</u>	<u>-</u>	<u>711,694</u>	<u>-</u>	<u>(134,000)</u>	<u>(134,000)</u>	
Total primary government	<u>\$ 38,105,141</u>	<u>\$ 8,249,804</u>	<u>\$ 1,612,817</u>	<u>\$ 1,656,123</u>	<u>(26,452,397)</u>	<u>(134,000)</u>	<u>(26,586,397)</u>	
Component units:								
City Court of Hammond	\$ 1,981,050	\$ 1,017,016	\$ 905,826	\$ -	-	-	-	\$ (58,208)
Marshall of City Court of Hammond	751,316	173,954	649,015	-	-	-	-	71,653
Total component units	<u>\$ 2,732,366</u>	<u>\$ 1,190,970</u>	<u>\$ 1,554,841</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,445</u>
General revenues:								
Taxes:								
Sales taxes					18,845,298	-	18,845,298	-
Ad valorem taxes, levied for general purposes					3,939,387	-	3,939,387	-
Ad valorem taxes, levied for fire and police					798,417	-	798,417	-
Franchise fees					942,892	-	942,892	-
Gaming revenues					724,064	-	724,064	-
Unrestricted investment earnings					62,304	12,324	74,628	2,525
Gain (loss) on disposal of capital assets					290,111	-	290,111	(2,392)
Transfers					370,000	(370,000)	-	-
Pension contributions from non-employer contributing entities					709,992	16,195	726,187	25,885
Total general revenues and transfers					<u>26,682,465</u>	<u>(341,481)</u>	<u>26,340,984</u>	<u>26,018</u>
Change in net position					230,068	(475,481)	(245,413)	39,463
Net position – beginning of year (originally stated)					40,073,238	18,932,541	59,005,779	1,614,692
Prior period adjustment					(21,844,289)	(684,197)	(22,528,486)	(863,974)
Net position – beginning of year (restated)					<u>18,228,949</u>	<u>18,248,344</u>	<u>36,477,293</u>	<u>750,718</u>
Net position – end of year					<u>\$ 18,459,017</u>	<u>\$ 17,772,863</u>	<u>\$ 36,231,880</u>	<u>\$ 790,181</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

CITY OF HAMMOND, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General <u>Fund</u>	Sales Tax <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 243,683	\$ 31,583	\$ 1,142,881	\$ 4,479,567	\$ 5,897,714
Franchise taxes receivable	203,749	-	-	-	203,749
Due from other funds	3,690,347	1,368,700	1,330,000	520,000	6,909,047
Due from other governments	243,318	3,191,002	46,092	506,717	3,987,129
Other receivables	147,501	-	-	49,701	197,202
Prepaid insurance	-	-	-	36,419	36,419
Notes receivable	180,000	-	-	455,963	635,963
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,708,598</u>	<u>\$ 4,591,285</u>	<u>\$ 2,518,973</u>	<u>\$ 6,048,367</u>	<u>\$ 17,867,223</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable	\$ 325,176	\$ 18,008	\$ 88,885	\$ 58,443	\$ 490,512
Due to other funds	2,390,000	3,675,347	-	423,700	6,489,047
Due to other governments	-	-	163,803	-	163,803
Other payables	296,637	-	-	15,776	312,413
Salaries payable	359,168	-	-	-	359,168
Payroll taxes payable	125,019	-	-	-	125,019
Retainage payable	-	-	3,795	36,205	40,000
Unearned grant income	-	-	-	20,255	20,255
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>3,496,000</u>	<u>3,693,355</u>	<u>256,483</u>	<u>554,379</u>	<u>8,000,217</u>
Fund balances:					
Nonspendable amounts					
Not in spendable form	-	-	-	492,382	492,382
Restricted	-	-	-	2,803,725	2,803,725
Committed	-	897,930	2,262,490	1,504,446	4,664,866
Assigned	-	-	-	693,435	693,435
Unassigned	1,212,598	-	-	-	1,212,598
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>1,212,598</u>	<u>897,930</u>	<u>2,262,490</u>	<u>5,493,988</u>	<u>9,867,006</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,708,598</u>	<u>\$ 4,591,285</u>	<u>\$ 2,518,973</u>	<u>\$ 6,048,367</u>	<u>\$ 17,867,223</u>

CITY OF HAMMOND, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015

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

Total fund balances, Governmental Funds	\$ 9,867,006
Capital assets net of accumulated depreciation at June 30, 2015	52,419,413
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(68,037)
Internal service fund's assets and liabilities (governmental activities)	345,588
Long term liabilities at June 30, 2015:	
General obligation bonds payable	(17,095,157)
Other post-employment benefits payable	(325,608)
Accumulated leave payable	(4,082,256)
In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to the pension plans, deferred outflows of resources and deferred inflows of resources are not recorded in governmental funds.	
Net pension liability	(22,253,170)
Deferred outflows of resources:	
Changes in proportion and difference between contributions and proportionate share of contributions	1,063,826
Contributions subsequent to the measurement date	2,894,030
Deferred inflows of resources:	
Changes in proportion and differences between contributions and proportionate share of contributions	(253,415)
Differences between expected and actual experience	(648,642)
Net difference between projected and actual earnings on pension plan investments	<u>(3,404,561)</u>
Net position of governmental activities	<u>\$ 18,459,017</u>

CITY OF HAMMOND, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,418,200	\$ 18,845,298	\$ -	\$ 262,496	\$ 24,525,994
Licenses and permits	1,810,895	-	-	-	1,810,895
Federal grants	-	-	39,298	268,521	307,819
State grants	19,352	-	-	854,016	873,368
Cemeteries and municipal grounds	136,070	-	-	-	136,070
Highways and streets	20,930	-	-	-	20,930
Public safety					
Police	34,198	-	-	-	34,198
Fire	406,457	-	-	-	406,457
Gaming revenue	543,048	-	-	181,016	724,064
Fines and forfeitures	392,818	-	-	-	392,818
Sanitation service fee	958,019	-	-	-	958,019
Court awards	-	-	-	48,527	48,527
State supplemental pay	887,415	-	-	-	887,415
Court witness fee	-	-	-	31,895	31,895
Department of motor vehicles fee	-	-	-	90,882	90,882
Parks and recreation	50,354	-	-	-	50,354
Donations	12,425	-	-	48,832	61,257
Interest	10,450	9,734	8,472	32,406	61,062
Miscellaneous	379,080	-	-	392,575	771,655
TOTAL REVENUES	11,079,711	18,855,032	47,770	2,211,166	32,193,679
EXPENDITURES					
General government	4,449,725	-	-	146,886	4,596,611
Public safety					
Police	8,289,270	-	-	205,582	8,494,852
Fire	5,272,271	-	-	-	5,272,271
Buildings	576,252	-	-	1,376	577,628
Highways and streets	2,030,424	-	-	-	2,030,424
Economic development	-	-	-	180,568	180,568
Cemeteries and municipal grounds	1,089,637	-	-	-	1,089,637
Urban redevelopment	-	-	-	-	-
Sanitation	967,565	-	-	-	967,565
Airport	349,348	-	-	30,545	379,893
Parks and recreation	617,570	-	-	194,002	811,572
Capital outlay	122,046	200,803	1,083,527	2,101,128	3,507,504
Miscellaneous	-	-	-	167,345	167,345
Debt Service					
Principal retirement	-	-	-	1,455,000	1,455,000
Paying agent fees	-	-	-	1,350	1,350
Bond insurance expense	-	-	-	18,210	18,210
Bond issuance costs	-	-	-	206,548	206,548
Interest and charges	-	-	-	523,431	523,431
TOTAL EXPENDITURES	23,764,108	200,803	1,083,527	5,231,971	30,280,409
Excess (deficiency) of revenues over expenditures	(12,684,397)	18,654,229	(1,035,757)	(3,020,805)	1,913,270
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	-	11,000,000	11,000,000
Premium on refunding bonds issued	-	-	-	1,527,424	1,527,424
Payment to refunded bond escrow agent	-	-	-	(13,072,150)	(13,072,150)
Operating transfers in	16,485,408	-	1,549,048	15,919,193	33,953,649
Operating transfers (out)	(3,348,445)	(18,949,525)	-	(12,940,679)	(35,238,649)
Total other financing sources (uses)	13,136,963	(18,949,525)	1,549,048	2,433,788	(1,829,726)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	452,566	(295,296)	513,291	(587,017)	83,544
Fund balances, beginning	760,032	1,193,226	1,749,199	6,081,005	9,783,462
Fund balances, ending	<u>\$ 1,212,598</u>	<u>\$ 897,930</u>	<u>\$ 2,262,490</u>	<u>\$ 5,493,988</u>	<u>\$ 9,867,006</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, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$	83,544
<p>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 depreciation \$3,225,578 exceeded capital outlay \$2,786,356 in the current period.</p>		
		(439,222)
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations) is to increase net position.</p>		
		290,111
<p>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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of Long-term debt and related items.</p>		
		897,104
<p>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.</p>		
		112,851
<p>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.</p>		
		8,652
<p>In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be reported in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities:</p>		
Net change in pension expense		(1,467,635)
Contributions from non-employer contributing entities		709,992
<p>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.</p>		
		<u>34,671</u>
Change in Net Position of Governmental Activities	\$	<u>230,068</u>

CITY OF HAMMOND, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
Cash and cash equivalents	\$ 1,321,817	\$ 392,749
Receivables		
Customers (net of allowance for doubtful accounts of \$50,000)	716,900	-
Due from other funds	650,000	370,000
Due from other governments	414,409	-
Prepaid Insurance	-	588,828
Total current assets	3,103,126	1,351,577
RESTRICTED ASSETS		
Customers' deposits		
Cash and cash equivalents	791,488	-
Total restricted assets	791,488	-
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)		
	20,208,727	-
TOTAL ASSETS	\$ 24,103,341	\$ 1,351,577
DEFERRED OUTFLOWS OF RESOURCES		
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 18,972	\$ -
Contributions subsequent to the measurement date	88,702	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 107,674	\$ -
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	\$ 359,178	\$ 2,747
Claims payable	-	454,524
Claims incurred but not reported	-	8,315
Due to other funds	1,020,000	420,000
Due to other governments	49,420	-
Unavailable grant income	335,060	-
Other payables	170,364	120,403
Total current liabilities (payable from current assets)	1,934,022	1,005,989
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Customers' deposits	791,488	-
Total current liabilities (payable from restricted assets)	791,488	-
LONG-TERM LIABILITIES		
Other post employment benefits payable	36,848	-
Accumulated leave payable	342,098	-
Bonds payable	2,504,579	-
Net pension liability	723,897	-
Total long-term liabilities	3,607,422	-
TOTAL LIABILITIES	\$ 6,332,932	\$ 1,005,989
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience	\$ 38,058	\$ -
Net difference between projected and actual earnings on pension plan investments	67,162	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 105,220	\$ -
NET POSITION		
Net invested in capital assets	20,208,727	-
Unrestricted	(2,435,864)	345,588
TOTAL NET POSITION	\$ 17,772,863	\$ 345,588

The accompanying notes are an integral part of this statement.

CITY OF HAMMOND, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Sewer charges	\$ 2,235,034	\$ -
Water sales	1,145,025	-
Tap-in and reconnect fees	27,059	-
Monthly user fees	564,466	-
Other fees	49,592	-
Insurance charges	-	2,741,989
Insurance reimbursements	-	114,102
Miscellaneous	253,710	-
Total operating revenues	<u>4,274,886</u>	<u>2,856,091</u>
OPERATING EXPENSES		
Insurance	-	4,399,482
Personnel services	1,743,800	-
Contractual services, supplies, materials and other	1,762,135	-
Depreciation	1,352,419	-
Total operating expenses	<u>4,858,354</u>	<u>4,399,482</u>
Operating loss	(583,468)	(1,543,391)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	12,324	1,242
Miscellaneous expense	(259,356)	-
Federal grant	41,046	-
State grant	269,400	-
Pension contributions from non-employer contributing entities	16,195	-
Interest expense	(2,870)	-
Total non-operating revenues (expenses)	<u>76,739</u>	<u>1,242</u>
Loss before operating transfers	(506,729)	(1,542,149)
TRANSFERS IN		
	5,517,986	1,655,000
TRANSFERS OUT		
	(5,887,986)	-
Total operating transfers	<u>(370,000)</u>	<u>1,655,000</u>
CAPITAL CONTRIBUTION		
	<u>401,248</u>	<u>-</u>
Change in net position	(475,481)	112,851
Total net position - beginning (originally stated)	18,932,541	232,737
Prior period adjustment	(684,197)	-
Total net position - beginning (restated)	<u>18,248,344</u>	<u>232,737</u>
TOTAL NET POSITION - ending	<u>\$ 17,772,863</u>	<u>\$ 345,588</u>

The accompanying notes are an integral part of this statement.

CITY OF HAMMOND, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,657,066	\$ 2,741,989
Payments to suppliers	(199,828)	(4,381,239)
Payments to employees	(1,794,619)	-
Receipts from claim settlements	-	(114,102)
Receipts from other funds	<u>317,000</u>	<u>-</u>
Net cash provided by (used in) operating activities	2,979,619	(1,525,148)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contribution	401,248	-
Purchases of capital assets	(2,808,556)	-
Miscellaneous expenses	(243,161)	-
Interest Paid	(2,870)	-
Receipts from grants	118,702	-
Operating transfers out	(5,887,986)	-
Operating transfers in	<u>5,517,986</u>	<u>1,655,000</u>
Net cash provided by (used in) capital and related financing activities	(2,904,637)	1,655,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>12,324</u>	<u>1,242</u>
Net cash provided by investing activities	<u>12,324</u>	<u>1,242</u>
Net increase in cash and cash equivalents	87,306	131,094
Cash and cash equivalents, beginning	<u>2,025,999</u>	<u>261,655</u>
Cash and cash equivalents, ending	<u>\$ 2,113,305</u>	<u>\$ 392,749</u>

CITY OF HAMMOND, LOUISIANA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (583,468)	\$ (1,543,391)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,352,419	-
(Increase) in due from other funds	(650,000)	(370,000)
Decrease in accounts receivable	728,246	-
Decrease in other assets	-	18,987
Decrease in prepaid insurance	-	186,947
(Increase) in due from other governments	(366,841)	-
(Increase) in deferred outflows	(107,674)	-
(Decrease) in accounts payable	(360,801)	(6,034)
Increase in customer deposits	32,429	-
(Decrease) in due to other governments	(378,495)	-
Increase in due to other funds	967,000	420,000
(Decrease) in accumulated leave	(89,351)	-
Increase in other payables	139,577	35,160
(Decrease) in claims payable	-	(266,817)
Increase in bonds payable	2,151,658	-
Increase in net pension liability	39,700	-
Increase in deferred inflows	<u>105,220</u>	<u>-</u>
Total adjustments	<u>3,563,087</u>	<u>18,243</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 2,979,619</u>	 <u>\$ (1,525,148)</u>

CITY OF HAMMOND, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Marshal's Office City Court of Hammond</u>	<u>City Court of Hammond</u>
ASSETS:		
Cash on hand and in banks	\$ <u>25,131</u>	\$ <u>381,835</u>
TOTAL ASSETS	25,131	381,835
LIABILITIES:		
Accounts payable	-	83,621
Internal balances	<u>25,131</u>	<u>298,214</u>
TOTAL LIABILITIES	25,131	381,835
NET POSITION	<u>-</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ -</u>

CITY OF HAMMOND, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2015

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, 2015

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, 2015	2
Marshal of City Court	June 30, 2015	2
Hammond Downtown Development District	June 30, 2015	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, 2015

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, 2015.

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, 2015.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. REPORTING ENTITY: (Continued)

Related Organizations: (Continued)

manner for the debt issues of this agency. This agency is classified as a related organization.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

column. Separate financial statements are provided for governmental funds, proprietary funds and component units.

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, 2015

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, 2015

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 supersedes GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”. It brings 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.
- Capital Projects Fund – the Capital Projects Fund is used to account for the proceeds of grants that are received primarily to assist in capital projects.

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, 2015

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" 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.

GASB Statement No. 65 – "Items Previously Reported as Assets and Liabilities" established 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.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Fund Financial Statements: (Continued)

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.

During the year ended June 30, 2015, the City adopted GASB Statement No. 68 – “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71 – “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68” These statements changed the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administrated through trusts.

The Statements require governments providing defined benefit plans to report the net pension liability in their Statement of Net Position. This net pension liability is the difference between the present value of the pension liability and the fair value of the pension assets, set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The financial statements have been adjusted to reflect retroactive application as of July 1, 2014. As such, the impact of the cumulative effect of the change in accounting principle on net position as of July 1, 2014 is \$22,528,486 to reflect beginning net pension liability.

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.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Budgets: (Continued)

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.
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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Compensated Absences: (Continued)

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.

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.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

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.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Governmental Fund Balances: (Continued)

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, 2015 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.

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, 2015 are recorded as prepaid items in the government-wide financial statements and fund financial statements.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Interfund Transactions: (Continued)

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.

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

2. AD VALOREM TAXES: (Continued)

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, 2015, taxes were levied for the City (21.04 mills) and the District (15 mills) on property. The total tax levied was \$4,492,129. Tax collections for the year ended June 30, 2015 were 99% of the tax levy.

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, 2015. All monies are invested in short term cash equivalents.

At June 30, 2015, the City had cash (book balances) totaling \$8,403,768, as follows:

Governmental Funds:

Petty cash	\$ 1,500
Demand deposits	254,406
Interest bearing demand deposits	<u>5,641,808</u>
	5,897,714

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

A. Primary Government: (Continued)

Proprietary Funds:

Enterprise Fund		
Interest bearing demand deposit		2,113,305
Internal Service Fund		
Interest bearing demand deposit		355,173
Cash with agent		<u>37,576</u>
		<u>2,506,054</u>
Total		<u>\$ 8,403,768</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, 2015, the City had \$8,908,142 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities.

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 \$8,908,142 at June 30, 2015 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, 2015, are as follows:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

C. Discretely Presented Component Units: (Continued)

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$395,338 in deposits (book balances), of which \$112,746 is restricted, at June 30, 2015. Total cash (book balances) from fiduciary responsibilities was \$381,835 at June 30, 2015. The City Court of Hammond reported on the government-wide financial statements investments (book balance) of \$718,611, of which \$129,085 is restricted, at June 30, 2015. Bank balances at June 30, 2015 totaled \$1,494,685 of which \$870,759 was insured by FDIC Insurance and \$623,926 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".

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, 2015, \$623,926 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, 2015, 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, 2015, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$197,118. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$25,131 at June 30, 2015. The Marshal's Office reported

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

C. Discretely Presented Component Units: (Continued)

Marshal of the City Court of Hammond: (Continued)

on the government-wide financial statements investments (book balance) of \$73,020 at June 30, 2015. The bank balances at June 30, 2015 totaled \$369,411, 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 Marshal's Office is not exposed to custodial credit risk at June 30, 2015. 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.

4. RECEIVABLES:

Receivables at June 30, 2015, 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	\$ 105,504	\$ -	\$ 105,504	\$ -	\$ -	\$ 105,504	\$ -	\$ 105,504
Franchise	203,749	-	203,749	-	-	203,749	-	203,749
Notes receivables	495,012	455,963	950,975	-	-	950,975	-	950,975
Accounts receivables	-	-	-	766,900	-	766,900	-	766,900
Other receivables	147,501	49,701	197,202	-	-	197,202	1,574	198,776
Gross receivables	951,766	505,664	1,457,430	766,900	-	2,224,330	1,574	2,225,904
Less: Allowance for uncollectibles	(105,504)	-	(105,504)	(50,000)	-	(155,504)	-	(155,504)
Net Receivables	<u>\$ 846,262</u>	<u>\$ 505,664</u>	<u>\$ 1,351,926</u>	<u>\$ 716,900</u>	<u>\$ -</u>	<u>\$ 2,068,826</u>	<u>\$ 1,574</u>	<u>\$ 2,070,400</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	\$ 3,690,347	\$ 2,390,000
Sales tax fund	1,368,700	3,675,347
Capital projects fund	1,330,000	-
Other governmental funds	520,000	423,700
Total Governmental Funds	<u>6,909,047</u>	<u>6,489,047</u>
Proprietary Funds:		
Enterprise fund	650,000	1,020,000
Internal service fund	370,000	420,000
Total Proprietary Funds	<u>1,020,000</u>	<u>1,440,000</u>
Total Primary Government	<u>\$ 7,929,047</u>	<u>\$ 7,929,047</u>
Governmental Funds:	Transfers In	Transfers Out
General fund	\$ 16,485,408	\$ 3,348,445
Sales tax fund	-	18,949,525
Capital projects fund	1,549,048	-
Other governmental funds	15,919,193	12,940,679
Total Governmental Funds	<u>33,953,649</u>	<u>35,238,649</u>
Proprietary Funds:		
Enterprise fund	-	370,000
Internal service fund	1,655,000	-
Total Proprietary Funds	<u>1,655,000</u>	<u>370,000</u>
Total Primary Government	<u>\$ 35,608,649</u>	<u>\$ 35,608,649</u>

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, 2015

6. DUE FROM OTHER GOVERNMENTS:

	Governmental Funds				Proprietary Fund	Total Primary Government	Component Units	Total Reporting Entity
	General	Sales Tax	Capital Projects	Other Governmental Funds	Enterprise Fund			
State of Louisiana:								
Beer tax	\$ 11,494	\$ -	\$ -	\$ -	\$ -	\$ 11,494	\$ -	\$ 11,494
State Grants	-	-	6,300	422,983	414,409	843,692	5,560	849,252
Tangipahoa Parish Council	-	-	-	-	-	-	9,139	9,139
Tangipahoa Parish Council								
Fire Insurance Tax	93,957	-	-	-	-	93,957	-	93,957
Tangipahoa Parish Rural								
Fire District #2	62,500	-	-	-	-	62,500	-	62,500
Tangipahoa Parish School								
Board - sales tax	-	3,191,002	-	-	-	3,191,002	-	3,191,002
City Court of Hammond	75,367	-	-	-	-	75,367	14,932	90,299
City of Hammond	-	-	-	-	-	-	62,258	62,258
City of Ponchatoula	-	-	-	-	-	-	2,000	2,000
Federal Grants	-	-	39,792	83,734	-	123,526	-	123,526
Total	\$ 243,318	\$ 3,191,002	\$ 46,092	\$ 506,717	\$ 414,409	\$ 4,401,538	\$ 93,889	\$ 4,495,427

7. CAPITAL ASSETS:

A. Governmental Funds:

The following is a summary of governmental fund-type capital assets at June 30, 2015.

	Balance 7/01/2014	Additions	Deletions	Completed Construction	Balance 6/30/2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 4,436,399	\$ -	\$ (40,688)	\$ -	\$ 4,395,711
Construction in progress	3,821,386	1,656,908	-	(2,358,404)	3,119,890
Total capital assets not being depreciated	8,257,785	1,656,908	(40,688)	(2,358,404)	7,515,601
Capital assets being depreciated:					
Buildings	9,401,909	1,318,089	-	-	10,719,998
Vehicles	7,616,120	452,556	(732,543)	-	7,336,133
Equipment	5,314,607	593,803	(38,536)	-	5,869,874
Infrastructure	50,654,018	1,123,404	-	-	51,777,422
Total capital assets being depreciated	72,986,654	3,487,852	(771,079)	-	75,703,427
Less accumulated depreciation	(28,325,520)	(3,225,578)	751,483	-	(30,799,615)
Total capital assets being depreciated, net	44,661,134	262,274	(19,596)	-	44,903,812
Governmental activities capital assets, net	\$ 52,918,919	\$ 1,919,182	\$ (60,284)	\$ (2,358,404)	\$ 52,419,413

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

7. CAPITAL ASSETS: (Continued)

A. Governmental Funds: (Continued)

Depreciation expense was charged to functions as follows:

General government	\$ 183,491
Public safety:	
Police	439,689
Fire	277,270
Culture and recreation	165,366
Buildings	25,882
Grounds	47,983
Airport	325,065
Streets	1,701,070
Economic development	<u>59,762</u>
Total governmental activities depreciation expense	<u>\$ 3,225,578</u>

The following is a summary of capital assets of the Component Units at June 30, 2015:

	<u>Balance</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Changes in</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>6/30/2015</u>
City Court of Hammond	\$ 149,671	\$ 159,696	\$ (399,587)	\$ 354,264	\$ 264,044
Marshal of City Court of Hammond	19,999	27,708	-	(12,567)	35,140
Total Component Units	<u>\$ 169,670</u>	<u>\$ 187,404</u>	<u>\$ (399,587)</u>	<u>\$ 341,697</u>	<u>\$ 299,184</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

7. CAPITAL ASSETS: (Continued)

B. Proprietary Fund:

The following is a summary of proprietary fund-type capital assets at June 30, 2015:

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Completed Construction</u>	<u>Balance 6/30/2015</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 158,047	\$ -	\$ -	\$ -	\$ 158,047
Construction in progress	<u>1,019,768</u>	<u>2,531,948</u>	<u>-</u>	<u>-</u>	<u>3,551,716</u>
Total capital assets not being depreciated	<u>1,177,815</u>	<u>2,531,948</u>	<u>-</u>	<u>-</u>	<u>3,709,763</u>
Capital assets being depreciated:					
Water:					
Buildings	471,681	22,848	-	-	494,529
Equipment	769,502	7,400	-	-	776,902
Vehicles	699,398	59,161	(57,402)	-	701,157
Lines and Mains	7,102,358	-	-	-	7,102,358
Sewer:					
Buildings	88,718	-	-	-	88,718
Equipment	1,027,303	187,199	(23,879)	-	1,190,623
Vehicles	630,533	-	-	-	630,533
Lines and Mains	<u>31,704,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,704,207</u>
Total capital assets being depreciated	42,493,700	276,608	(81,281)	-	42,689,027
Less: accumulated depreciation	<u>(24,918,925)</u>	<u>(1,352,419)</u>	<u>81,281</u>	<u>-</u>	<u>(26,190,063)</u>
Total capital assets being depreciated, net	<u>17,574,775</u>	<u>(1,075,811)</u>	<u>-</u>	<u>-</u>	<u>16,498,964</u>
Business-type activities capital assets, net	<u>\$ 18,752,590</u>	<u>\$ 1,456,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,208,727</u>

Transfer of capital assets from Governmental Funds to Proprietary Funds total \$0 for the year ended June 30, 2015.

Depreciation expense was as follows:

Business-type activities:

Water	\$ 248,806
Sewer	<u>1,103,613</u>
Total business-type activities depreciation expense	<u>\$ 1,352,419</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

8. RESTRICTED ASSETS:

Restricted assets for the City were applicable to the following at June 30, 2015:

Governmental Activities:

Unexpended Bond Proceeds	\$ 366,663
Bond Sinking Fund	<u>566,220</u>
Total	<u>\$ 932,883</u>

Business-type Activities:

Meter Deposit Accounts	<u>\$ 791,488</u>
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Component Units:

City Court of Hammond – Judicial Building Fund	<u>\$ 241,831</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, 2015.

	<u>7/1/2014</u>	<u>Outstanding Additions</u>	<u>Outstanding Deletions</u>	<u>6/30/2015</u>	<u>Amounts Due Within One Year</u>
Government Funds:					
Sales tax revenue bonds	\$ 18,360,000	\$ -	\$(13,560,000)	\$ 4,800,000	\$ 375,000
Sales tax refunding bonds	-	11,000,000	-	11,000,000	1,105,000
Premium	-	1,527,424	(60,612)	1,466,812	-
Accumulated leave	<u>4,106,878</u>	-	<u>(24,621)</u>	<u>4,082,257</u>	<u>4,082,257</u>
Total Governmental Funds	<u>\$ 22,466,878</u>	<u>\$ 12,527,424</u>	<u>\$(13,645,233)</u>	<u>\$ 21,349,069</u>	<u>\$ 5,562,257</u>
Proprietary Funds:					
Bonds	\$ 352,921	\$ 2,151,659	\$ -	\$ 2,504,580	\$ 230,000
Accumulated leave	<u>431,449</u>	-	<u>(89,351)</u>	<u>342,098</u>	<u>342,098</u>
Total Proprietary Funds	<u>\$ 784,370</u>	<u>\$ 2,151,659</u>	<u>\$ (89,351)</u>	<u>\$ 2,846,678</u>	<u>\$ 572,098</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

Governmental Funds

The following is a summary of the bonds of the City at June 30, 2015:

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 \$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%. \$ 3,325,000

\$11,000,000 Sales Tax Refunding Bonds, Series 2015, due in annual installments of principal starting December 1, 2015, and semi-annual installments of interest starting December 1, 2015, through December 1, 2026; interest on \$385,000 at 2%, on \$395,000 at 2%, on \$1,190,000 at 3%, on \$1,225,000 at 3%, on \$1,275,000 at 4%, on \$815,000 at 3%, on \$850,000 at 3%, on \$885,000 at 4%, on \$920,000 at 4%, on \$965,000 at 5%, on \$1,020,000 at 5%, and on \$1,075,000 at 5%. 11,000,000

\$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, 2016; interest on \$720,000 at 5.25% and on \$755,000 at 4%. 1,475,000

Total Sales Tax Revenue Bonds Payable \$ 15,800,000

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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 2006 and Sales Tax Series 2015 bonds and the interest and principal requirements by dates is as follows:

DUE DATE	Limited Tax Revenue Series 2011		Sales Tax Series 2006		Sales Tax Refunding Series 2015		TOTALS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
December 1, 2015	\$ 375,000	\$ 42,227	\$ 720,000	\$ 34,000	\$ 385,000	\$ 207,100	\$ 1,763,327
June 1, 2016	-	37,465	-	15,100	-	203,250	255,815
December 1, 2016	385,000	37,465	755,000	15,100	395,000	203,250	1,790,815
June 1, 2017	-	32,576	-	-	-	199,300	231,876
December 1, 2017	400,000	32,576	-	-	1,190,000	199,300	1,821,876
June 1, 2018	-	27,496	-	-	-	181,450	208,946
December 1, 2018	410,000	27,496	-	-	1,225,000	181,450	1,843,946
June 1, 2019	-	22,288	-	-	-	163,075	185,363
December 1, 2019	420,000	22,288	-	-	1,275,000	163,075	1,880,363
June 1, 2020	-	16,955	-	-	-	137,575	154,530
December 1, 2020	435,000	16,955	-	-	815,000	137,575	1,404,530
June 1, 2021	-	11,430	-	-	-	125,350	136,780
December 1, 2021	445,000	11,430	-	-	850,000	125,350	1,431,780
June 1, 2022	-	5,778	-	-	-	112,600	118,378
December 1, 2022	455,000	5,778	-	-	885,000	112,600	1,458,378
June 1, 2023	-	-	-	-	-	94,900	94,900
December 1, 2023	-	-	-	-	920,000	94,900	1,014,900
June 1, 2024	-	-	-	-	-	76,500	76,500
December 1, 2024	-	-	-	-	965,000	76,500	1,041,500
June 1, 2025	-	-	-	-	-	52,375	52,375
December 1, 2025	-	-	-	-	1,020,000	52,375	1,072,375
June 1, 2026	-	-	-	-	-	26,875	26,875
December 1, 2026	-	-	-	-	1,075,000	26,875	1,101,875
TOTAL	\$ 3,325,000	\$ 350,203	\$ 1,475,000	\$ 64,200	\$ 11,000,000	\$ 2,953,600	\$ 19,168,003

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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

Governmental Funds: (Continued)

Sales Tax Revenue Bonds: (Continued)

The 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, 2015, employees of the City have accumulated and vested \$4,082,256 of leave benefits for all governmental funds.

Proprietary Fund Types:

Accumulated Leave

At June 30, 2015, employees of the City who work in the Water and Sewer Departments have accumulated and vested \$342,098 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, 2015

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 \$2,151,659 were drawn down in 2015. As of June 30, 2015, \$2,504,579 of such bonds remained outstanding.

In addition, the City also owes the State and local governmental districts \$49,420 as of June 30, 2015.

Advanced Refunding

The government issued \$11,000,000 in sales tax bonds with interest rates ranging from 2% to 5%. The proceeds were used to advance refund \$12,105,000 of outstanding 2005 and 2006 sales tax bonds which had interest rates ranging from 4% to 5.25%. The net proceeds of \$12,321,826 (including a \$1,527,424 premium and after payment of \$205,597 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 sales tax bond considered defeased and the liability for those bonds has been removed from the statement of net position while the 2006 sales tax bond has a remaining balance of \$1,475,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$216,827. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2005 and 2006 sales tax bonds to reduce its total debt service payments over 6 years by \$874,552 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$712,442.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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, 2015, meter deposits amounted to \$791,488 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$822,247.

11. PENSION PLANS:

Substantially all employees of the City of Hammond are members of three statewide, public employee retirement systems, the Municipal Employees' Retirement System (MERS), the Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS). All three plans are administered by separate boards of trustees and are cost-sharing, multiple-employer defined benefit pension plans. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. The reports for MERS, MPERS and FRS may be obtained at www.mersla.com, www.lampers.org and www.lafirefightersret.com, respectively.

Plan Descriptions

Municipal Employees' Retirement System (MERS)

The MERS System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System.

Municipal Police Employees' Retirement System (MPERS)

Membership in the MPERS System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Plan Descriptions: (Continued)

Firefighters' Retirement System (FRS)

Membership in the FRS System is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272.

Benefits Provided

MERS

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the City are not eligible for membership in the System with exceptions as outlined in the statutes. All of the City of Hammond's employees fall within Plan A.

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for Retirement for Plan A members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MERS: (Continued)

3. Age 55 with thirty (30) or more years of creditable service.
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused sick leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor benefits - Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP benefits - In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MERS: (Continued)

participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability benefits - For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Cost of living increases - The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred benefits - Plan A provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

MPERS

Membership prior to January 1, 2013 - A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Benefits Provided (Continued)

MPERS: (Continued)

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership commencing January 1, 2013 - Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of living adjustments - The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

MPERS: (Continued)

Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan - A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan - In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Benefits Provided: (Continued)

FRS

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Deferred Retirement Option Plan - After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan - Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Contributions

MERS

Contribution rates for employees are established by Louisiana Revised Statute 11:1786 and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2015, employees were required to contribute 9.50% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 19.75% of annual payroll. Contributions to the System from the City were \$848,818 for the year ended June 30, 2015.

MPERS

Contribution rates for employees are established by state statutes and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2015, employees were required to contribute 10% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 31.5% of annual payroll. Contributions to the System from the City were \$1,345,133 for the year ended June 30, 2015.

FRS

Contribution rates for employees are established by state statutes and employer contribution rates are actuarially determined each year by the System's Board of Trustees. During the year ended June 30, 2015, employees were required to contribute 10% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 29.25% of annual payroll. Contributions to the System from the City were \$788,781 for the year ended June 30, 2015.

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

At June 30, 2015, the City of Hammond reported a liability for MERS, MPERS and FRS of \$6,927,245, \$10,211,371 and \$5,838,451, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The City's proportion of the net pension liability for each retirement system was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

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

for MERS, MPERS and FRS was 2.699160%, 1.632231% and 1.312037%, respectively. This reflects an increase for MERS and MPERS of 0.087865% and 0.150424, respectively, and a decrease for FRS of 0.055568%, from their proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense, for which there were no forfeitures, as follows:

	Pension Expense
MERS	\$ 511,393
MPERS	365,604
FRS	<u>644,079</u>
 Total	 <u>\$ 1,521,076</u>

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	MERS	MPERS	FRS	TOTAL	MERS	MPERS	FRS	TOTAL
Changes in proportions	\$ 181,553	\$ 901,245	\$ -	\$ 1,082,798	\$ -	\$ -	\$ 247,065	\$ 247,065
Contributions subsequent to the measurement date	848,818	1,345,133	788,781	2,982,732	-	-	-	-
Differences between expected and actual experience	-	-	-	-	364,190	179,595	142,915	686,700
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	642,698	2,310,817	518,208	3,471,723
Changes of assumptions	-	-	-	-	-	2,763	3,587	6,350
 Total	 <u>\$ 1,030,371</u>	 <u>\$ 2,246,378</u>	 <u>\$ 788,781</u>	 <u>\$ 4,065,530</u>	 <u>\$ 1,006,888</u>	 <u>\$ 2,493,175</u>	 <u>\$ 911,775</u>	 <u>\$ 4,411,838</u>

During the year ended June, 30, 2015, employer contributions totaling \$848,818, \$1,345,133 and \$788,781 were made subsequent to the measurement date for MERS, MPERS and FRS, respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

11. PENSION PLANS: (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>
Year ended June 30:			
2016	\$ (251,993)	\$ (338,075)	\$ (195,146)
2017	(160,675)	(338,075)	(195,146)
2018	(160,674)	(577,705)	(195,146)
2019	-	-	(65,594)
2020	<u>-</u>	<u>-</u>	<u>(65,597)</u>
TOTAL	<u>\$ (573,342)</u>	<u>\$ (1,253,855)</u>	<u>\$ (716,629)</u>

Actuarial Assumptions

The total pension liabilities for MERS, MPERS and FRS in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>
Actuarial cost method:	Entry age normal	Entry age normal	Entry age normal
Amortization approach:	Closed	Closed	Closed
Actuarial assumptions:			
Expected remaining service lives:	3 years	4 years	7 years
Investment rate of return:	7.75%, net of investment expense	7.5%, net of investment expense	7.5% per annum
Inflation rate:	3%	3%	3% per annum
Projected salary increases:	2.75%	Vary from 10% in the first year of service to 4% after 30 years	Vary from 15% in the first two years of service to 5.5% after 14 years
Cost-of-living adjustments:	Only those previously granted	None	Only those previously granted

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Actuarial Assumptions: (Continued)

	MERS	MPERS	FRS
Mortality:	RP-2000 Employee Table for active members	RP-2000 Sex Distinct Employee Tables set back 1 year for males and set back 1 year for females for active members	RP-2000 Employee Mortality Table set back 1 year for males and 1 year for females for active members
	RP-2000 Healthy Annuitant Table for healthy annuitants and beneficiaries	RP-2000 Sex Distinct Healthy Annuitant Tables set back 1 year for males and set back 1 year for females for healthy annuitants	RP-2000 Health Annuitant Mortality Table set back 1 year for males and 1 year for females for annuitants and beneficiaries
	RP-2000 disabled Lives Mortality Tables for disabled annuitants	RP-2000 Disabled Lives Mortality Tables for males and females for disabled annuitants	RP-2000 Disabled Lives Mortality Tables for males and females for disabled annuitants

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic (MERS and MPERS) and geometric (FRS) real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	FRS	MERS	MPERS	FRS
Public equity	50%	52%	51%	2.75%	5.43%	5.31%
Public fixed income	15%	20%	24%	0.83%	2.35%	1.93%
Alternatives	35%	23%	15%	1.92%	4.51%	5.70%
Other	0%	5%	10%	0%	4.07%	3.81%
Totals	100%	100%	100%	5.5%	4.82%	4.69%

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.75% and 7.5% for MPERS and FRS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following tables present the employer's proportionate share of the net pension liability using the discount rates of 7.75% for MERS and 7.5% for MPERS and FRS, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(6.5% - 6.75%)</u>	<u>Current Discount</u> <u>(7.5% - 7.75%)</u>	<u>1% Increase</u> <u>(8.5% - 8.75%)</u>
MERS (7.75% currently used)	\$ 9,626,335	\$ 6,927,245	\$ 4,264,661
MPERS (7.5% currently used)	14,743,470	10,211,371	6,404,822
FRS (7.5% currently used)	<u>8,583,445</u>	<u>5,838,451</u>	<u>3,525,281</u>
TOTAL	<u>\$ 32,953,250</u>	<u>\$ 22,977,067</u>	<u>\$ 14,194,764</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued MERS, MPERS and FRS audit reports at www.mersla.com, www.lampers.org and www.lafirefightersret.com, respectively.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Payables to the Pension Plan

At June 30, 2015, payables to MERS, MPERS and FRS were \$51,299, \$74,843 and \$46,990, respectively, for June 2015 employee and employer legally-required contributions.

Discretely Presented Component Units

City Court of Hammond

A. Parochial Employees' Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the City Court are eligible for participation in the Parochial Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 205 of the 1952 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.persla.org. The report may also be obtained by writing to the Parochial Employees' Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are determined as 2.0% of the employee's final compensation multiplied by the employee's years of creditable service. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement. Contributions – Per Act 765 of the 1979 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 3.00% of

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

General Information about the Pension Plan: (Continued)

Benefits Provided: (Continued)

their annual pay. The City Court's contractually required contribution rate was 9.25% for the period July 1, 2014 through December 31, 2014 and 9.00% for the period January 1, 2015 through June 30, 2015. Contributions to the System from the City Court were \$55,880 for the year ended June 30, 2015.

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

At June 30, 2015, the City Court reported a liability of \$2,355 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City Court's proportion of the net pension liability was based on a projection of the City Court's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the City Court's proportion was 0.847937%, which was an increase of 0.0273257% from its proportion measured as of December 31, 2013. For the year ended June 30, 2015, the City Court recognized pension expense of \$65,850. At June 30, 2015, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 21,952
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings		
On Pension Plan Investments	38,165	-
Changes in Proportion and Differences Between City Court		
Contributions and Proportionate Share of Contributions	35	10,396
City Court Contributions Subsequent to the Measurement Date	<u>26,461</u>	-
	<u>\$ 64,661</u>	<u>\$ 32,348</u>

\$26,461 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

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

reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:

June 30, 2016	\$ (2,236)
June 30, 2017	(2,236)
June 30, 2018	(2,236)
June 30, 2019	(9,540)
June 30, 2020	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75% (3.00% Inflation, 2.75% Merit)
Investment Rate of Return	7.25%, Net of Investment Expense

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

The mortality rate assumption used in the December 31, 2014, valuation was set based upon an experience study performed on plan data for the period January 1, 2004 through December 31, 2009. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottomup), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.30% and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return is 8.11% for the year ended December 31, 2014.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	34.00%	1.30%
Equity	51.00%	3.55%
Alternatives	12.00%	0.77%
Real Assets	<u>3.00%</u>	<u>0.19%</u>
Total	<u>100.00%</u>	<u>5.81%</u>
Inflation		2.30%
Expected Arithmetic Nominal Return		8.11%

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee ("PRSAC") taking into consideration the recommendation of the System's actuary. Based on those assumptions,

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Discount Rate: (Continued)

the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City Court's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City Court's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City Court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1.0% Decrease (6.25%)	Current Discount Rate (7.25%)	1.0% Increase (8.25%)
City Court's Proportionate Share of the Net Pension Liability	\$ 273,206	\$ 2,355	\$ (226,219)

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

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

B. Louisiana State Employees' Retirement System

General Information about the Pension Plan

Plan Description – The Judge of the City Court is the only employee eligible for participation in the Louisiana State Employees' Retirement System ("LASERS") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Title 11, Section 401 of the Louisiana Revised Statutes of 1950. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org. The report may also be obtained by writing to the Louisiana Employees Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided – The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and may vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age, upon completing thirty years of service, to age sixty, upon completing ten years of service.

The basic annual retirement benefit for substantially all members is equal to 2½% of average compensation multiplied by the number of years of creditable service plus \$300. Participants who became members of LASERS on or after July 1, 1986, are not eligible for the \$300 addition to the annual retirement benefit formula. Average compensation is defined as the member's average annual earned compensation for the period of thirty-six consecutive months of employment during which the member's aggregate earned compensation was greatest. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or certain specified dollar amounts of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges and court officers and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the above basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

Employees are eligible for disability benefits under age 60 with 10 years of service. Survivor's benefits are available upon the death of a member who has credit for five or more years of service who is not eligible for normal retirement benefits. As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

Contributions – Contribution rates are established annually under LRS 11:101 – 11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

General Information about the Pension Plan: (Continued)

Contributions: (Continued)

consideration the recommendation of LASER's actuary. Rates are different for each class of members; however, the City Court's contractually required contribution rate for the year ended June 30, 2015 was 41.50%. Employees are required to contribute 11.50% of their annual pay. Contributions to LASERS from the City Court were \$9,773 for the year ended June 30, 2015.

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

At June 30, 2015, the City Court reported a liability of \$163,701 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City Court's proportion of the net pension liability was based on a projection of the City Court's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City Court's proportion was 0.002618%, which was a decrease of 0.000028% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City Court recognized pension expense of \$12,721. At June 30, 2015, the City Court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 2,917
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings		
On Pension Plan Investments	-	20,710
Changes in Proportion and Differences Between City Court		
Contributions and Proportionate Share of Contributions	662	1,360
City Court Contributions Subsequent to the Measurement Date	<u>9,773</u>	<u>-</u>
	<u>\$ 10,435</u>	<u>\$ 24,987</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

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

\$9,773 reported as deferred outflows of resources related to pensions resulting from City Court contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
June 30, 2016	\$ (6,636)
June 30, 2017	(5,177)
June 30, 2018	(5,177)
June 30, 2019	-
June 30, 2020	-
Thereafter	-

Actuarial Assumptions

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

Inflation	3.00%		
Salary Increases	<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
	Regular	4.0%	13.0%
	Judges	3.0%	5.5%
	Corrections	3.6%	14.5%
	Hazardous Duty	3.6%	14.5%
	Wildlife	3.6%	14.5%

Investment Rate of Return 7.75%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2014 valuation was based on an experience study performed in 2013, which was based on the experience of LASERS for the period July 1, 2008 through June 30, 2013.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

11. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

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

Asset Class	Target Real Allocation	Long-Term Expected Rate of Return
Cash	0.00%	0.50%
Domestic Equity	27.00%	4.69%
International Equity	30.00%	5.83%
Domestic Fixed Income	11.00%	2.34%
International Fixed Income	2.00%	4.00%
Alternative Investments	23.00%	8.09%
Global Tactical Asset Allocation	7.00%	3.42%
Total	100.00%	5.78%
Inflation		3.00%
Expected Arithmetic Nominal Return		8.78%

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

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

	1.0% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1.0% Increase <u>(8.75%)</u>
City Court's Proportionate Share of the Net Pension Liability	\$ 209,959	\$ 163,826	\$ 124,490

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

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

Marshal of the City Court of Hammond

Employees' Pension Plan (Municipal Employees' Retirement System)

General Information about the Pension Plan

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

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are generally determined as 3.0% of the employee's final

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

General Information about the Pension Plan: (Continued)

Benefits Provided: (Continued)

compensation multiplied by the employee's years of creditable service. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits under age 60 with 5 years of service. Survivor's benefits are available upon the death of a member who has credit for 5 or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 9.50% of their annual pay. The Marshal's contractually required contribution rate for the year ended June 30, 2015, was 19.75% of annual payroll. Contributions to the System from the Marshal were \$86,270 for the year ended June 30, 2015.

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

At June 30, 2015, the Marshal reported a liability of \$711,172 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Marshal's proportion of the net pension liability was based on a projection of the Marshal's June 30, 2015, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Marshal's proportion was 0.277104%, which was an increase of 0.009172% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Marshal recognized pension expense of \$86,270. At June 30, 2015, the Marshal reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

11. PENSION PLANS: (Continued)

Discretely Presented Component Units (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 37,389
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings		
On Pension Plan Investments	-	65,981
Changes in Proportion and Differences Between Marshal		
Contributions and Proportionate Share of Contributions	18,952	715
Marshal Contributions Subsequent to the Measurement Date	86,270	-
	<u>\$ 105,222</u>	<u>\$ 104,085</u>

\$86,270 reported as deferred outflows of resources related to pensions resulting from the Marshal's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
June 30, 2016	\$ (25,714)
June 30, 2017	(16,495)
June 30, 2018	(16,495)
June 30, 2019	-
June 30, 2020	-
Thereafter	-

Actuarial Assumptions

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

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee ("PRSAC") taking into consideration the recommendation of the System's actuary. Based on those assumptions,

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

II. PENSION PLANS: (Continued)

Discretely Presented Component Units: (Continued)

Actuarial Assumptions: (Continued)

Discount Rate: (Continued)

the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1.0%</u> <u>Decrease</u> (6.75%)	<u>Current</u> <u>Discount Rate</u> (7.75%)	<u>1.0%</u> <u>Increase</u> (8.75%)
Marshal's Proportionate Share of the Net Pension Liability	\$ 988,269	\$ 711,172	\$ 474,782

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

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

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

12. FUND BALANCES

Governmental Funds:

Description:	Major Funds				
	General Fund	Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Long-term receivable	\$ -	\$ -	\$ -	\$ 455,963	\$ 455,963
Prepaid insurance	-	-	-	36,419	36,419
Restricted for:					
Debt service	-	-	-	1,294,636	1,294,636
Public safety: police	-	-	-	617,509	617,509
Downtown development	-	-	-	835,765	835,765
Capital projects	-	-	-	55,815	55,815
Committed to:					
Sales taxes	-	897,930	-	-	897,930
Emergency reserves	-	-	-	704,815	704,815
Public safety: police	-	-	-	49,967	49,967
Public safety: fire	-	-	-	711,184	711,184
Library trust	-	-	-	35,077	35,077
Capital projects	-	-	2,262,490	3,403	2,265,893
Assigned to:					
Public safety: police	-	-	-	67,205	67,205
Culture and recreation	-	-	-	35,724	35,724
Downtown development	-	-	-	158,778	158,778
Other purposes	-	-	-	431,728	431,728
Unassigned:	<u>1,212,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,212,598</u>
Total Fund Balances	<u>\$ 1,212,598</u>	<u>\$ 897,930</u>	<u>\$ 2,262,490</u>	<u>\$ 5,493,988</u>	<u>\$ 9,867,006</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 \$704,815 at June 30, 2015.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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, 2015, the outstanding claims liability was \$462,839, 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, 2015, 2014 and 2013 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2015	\$ 729,656	\$ 722,410	\$ 989,227	\$ 462,839
2014	614,472	1,141,685	1,026,501	729,656
2013	654,090	771,848	811,466	614,472

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, 2015

14. RISK MANAGEMENT: (Continued)

At June 30, 2015, the outstanding claims liability was \$120,403. 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, 2015

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, 2015, the City has recognized \$887,415 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, 2015, 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, 2015 was \$80,046.

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, 2015 was \$81,171. The City's future minimum lease commitment under this operating lease as of June 30, 2015 is as follows:

<u>June 30</u>	<u>Amount Due</u>
2016	\$ 56,195
TOTAL	<u>\$ 56,195</u>

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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, 2015 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>
2016	\$ 95,891
2017	59,219
2018	56,252
2019	53,548
2020	49,929
Thereafter	<u>141,519</u>
TOTAL	<u>\$ 456,358</u>

19. COMMITMENTS:

The City has entered into various construction contracts. The original amount of the contracts was \$9,383,497, of which \$6,222,781 has been expended as of June 30, 2015.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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.

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

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy

Until 2008, the City of Hammond recognized the cost of providing post-employment medical benefits (the City of Hammond'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. In 2015 and 2014, the City of Hammond's portion of health care funding cost for retired employees totaled \$142,800 and \$67,753, respectively.

Effective July 1, 2008, the City of Hammond implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Annual Required Contribution

The City of Hammond's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows: The total ARC for the fiscal year beginning July 1, 2014 is \$138,285, as set forth below:

Normal Cost	\$ 45,687
30-year UAL amortization amount	<u>92,598</u>
Annual required contribution (ARC)	<u><u>\$ 138,285</u></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, 2015:

Annual required contribution (ARC)	\$ 138,285
Interest on net OPEB obligation	14,945
ARC Adjustment	<u>(21,607)</u>
Annual OPEB Cost	131,623
Current year retiree premium	<u>(142,800)</u>
Change in Net OPEB Obligation	(11,177)
Beginning Net OPEB Obligation – 7/1/14	<u>373,633</u>
Ending Net OPEB Obligation – 6/30/15	<u><u>\$ 362,456</u></u>

The following table shows the City of Hammond's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year and this year:

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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, 2014	\$ 126,485	62.6%	\$ 373,633
Medical	June 30, 2015	131,623	108.5%	362,456

Funded Status and Funding Progress

In 2015 and 2014, the City of Hammond made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2014 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2015 was \$1,665,195 which is defined as that portion, as determined by a particular actuarial cost method (the City of Hammond uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$ 1,665,195
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,665,195
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0 %
Covered Payroll (active plan members)	\$ 12,980,133
UAAL as a percentage of covered payroll	12.8 %

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 post employment 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, 2015

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 of Hammond and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Hammond 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 of Hammond 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

There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

Turnover Rate

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 6%.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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)

GASB Codification Section P50 states that 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.

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 rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

CITY OF HAMMOND, LOUISIANA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of and for the Year Ended June 30, 2015

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 Codification Section P50 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.

The employer has established a "cap" of \$350 per month as the maximum to be paid for retiree medical benefits by the employer in the future

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, 2015

21. PRIOR PERIOD ADJUSTMENTS

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

A. Governmental Funds

	Governmental Activities
Beginning Net Position, Originally Stated	\$ 40,073,238
To Adjust Prior Year Balances	<u>(21,844,289)</u>
Beginning Net Position, Restated	<u>\$ 18,228,949</u>

B. Business-type Funds

	Business-type Activities
Beginning Net Position, Originally Stated	\$ 18,932,541
To Adjust Prior Year Balances	<u>(684,197)</u>
Beginning Net Position, Restated	<u>\$ 18,248,344</u>

C. Component Units

	Component Activities
Beginning Net Position, Originally Stated	\$ 1,614,692
To Adjust Prior Year Balances	<u>(863,974)</u>
Beginning Net Position, Restated	<u>\$ 750,718</u>

The prior period adjustments were made to adjust the beginning net position as a result of the implementation of GASB Statement No. 68 – “Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27” and GASB Statement No. 71 – “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.”

22. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 21, 2015, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that requires recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<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>
REVENUES				
Taxes	\$ 5,241,213	\$ 5,241,213	\$ 5,418,200	\$ 176,987
Licenses and permits	1,655,000	1,655,000	1,810,895	155,895
State grant revenue	10,000	10,000	19,352	9,352
Cemeteries and municipal grounds	90,000	90,000	136,070	46,070
Highways and streets	20,000	20,000	20,930	930
Public safety: police	40,000	40,000	34,198	(5,802)
Public safety: fire	325,000	325,000	406,457	81,457
Gaming revenues	557,000	557,000	543,048	(13,952)
Fines and forfeitures	500,000	500,000	392,818	(107,182)
Sanitation service fees	750,000	750,000	958,019	208,019
State supplemental pay	930,000	930,000	887,415	(42,585)
Parks and recreation	55,500	55,500	50,354	(5,146)
Donations	-	-	12,425	12,425
Interest	5,000	5,000	10,450	5,450
Miscellaneous	302,550	302,550	379,080	76,530
TOTAL REVENUES	10,481,263	10,481,263	11,079,711	598,448
EXPENDITURES				
General government	4,543,977	4,681,476	4,449,725	231,751
Public Safety				
Police	8,541,189	8,486,229	8,289,270	196,959
Fire	5,225,441	5,217,891	5,272,271	(54,380)
Buildings	558,100	554,177	576,252	(22,075)
Highways and streets	2,019,200	2,064,753	2,030,424	34,329
Cemeteries and municipal grounds	1,119,500	1,117,856	1,089,637	28,219
Sanitation	780,000	780,000	967,565	(187,565)
Airport	386,181	381,191	349,348	31,843
Parks and recreation	690,600	692,992	617,570	75,422
Capital outlay	618,078	143,058	122,046	21,012
TOTAL EXPENDITURES	24,482,266	24,119,623	23,764,108	355,515
Excess (deficiency) of revenues over expenditures	(14,001,003)	(13,638,360)	(12,684,397)	953,963
OTHER FINANCING SOURCES (USES)				
Operating transfers in	16,330,000	16,485,408	16,485,408	-
Operating transfers (out)	(2,824,480)	(3,393,980)	(3,348,445)	45,535
Total other financing sources (uses)	13,505,520	13,091,428	13,136,963	45,535
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(495,483)	(546,932)	452,566	999,498
Fund balances, beginning	700,100	760,032	760,032	-
Fund balances, ending	\$ 204,617	\$ 213,100	\$ 1,212,598	\$ 999,498

CITY OF HAMMOND
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<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>
REVENUES				
Sales and use tax	\$ 18,000,000	\$ 18,800,000	\$ 18,845,298	\$ 45,298
Interest	<u>2,000</u>	<u>2,000</u>	<u>9,734</u>	<u>7,734</u>
TOTAL REVENUES	18,002,000	18,802,000	18,855,032	53,032
EXPENDITURES				
General government	80,000	80,000	-	80,000
Buildings			-	-
Highways and streets	140,000	140,000	-	140,000
Parks and recreation	-	-	-	-
Capital outlay	<u>630,000</u>	<u>-</u>	<u>200,803</u>	<u>(200,803)</u>
TOTAL EXPENDITURES	<u>850,000</u>	<u>220,000</u>	<u>200,803</u>	<u>19,197</u>
Excess (deficiency) of revenues over expenditures	17,152,000	18,582,000	18,654,229	72,229
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	<u>(18,138,800)</u>	<u>(18,918,800)</u>	<u>(18,949,525)</u>	<u>(30,725)</u>
Total other financing sources (uses)	<u>(18,138,800)</u>	<u>(18,918,800)</u>	<u>(18,949,525)</u>	<u>(30,725)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(986,800)	(336,800)	(295,296)	41,504
Fund balances, beginning	<u>1,000,000</u>	<u>1,193,226</u>	<u>1,193,226</u>	<u>-</u>
Fund balances, ending	<u>\$ 13,200</u>	<u>\$ 856,426</u>	<u>\$ 897,930</u>	<u>\$ 41,504</u>

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

Fiscal Year	Employer's Proportion Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>MERS:</u>					
06/30/15	2.699160%	\$ 6,927,245	\$ 4,275,923	162.0%	73.99%
06/30/14	2.611295%	\$ 8,093,470	\$ 4,444,204	182.0%	67.97%
<u>MPERS:</u>					
06/30/15	1.632231%	\$ 10,211,371	\$ 4,196,926	243.3%	75.10%
06/30/14	1.481807%	\$ 7,094,023	\$ 4,145,038	17.11%	66.71%
<u>FRS:</u>					
06/30/15	1.312037%	\$ 5,838,451	\$ 2,701,872	216.1%	76.02%
06/30/14	1.367605%	\$ 11,837,312	\$ 2,790,409	424.2%	70.73%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
MERS:					
06/30/15	\$ 848,818	\$ 848,818	\$ -	\$ 4,275,923	19.85%
06/30/14	\$ 833,288	\$ 833,288	\$ -	\$ 4,444,204	18.75%
MPERS:					
06/30/15	\$ 1,345,133	\$ 1,345,133	\$ -	\$ 4,196,926	32.05%
06/30/14	\$ 1,284,962	\$ 1,284,962	\$ -	\$ 4,145,038	31.00%
FRS:					
06/30/15	\$ 788,781	\$ 788,781	\$ -	\$ 2,701,872	29.20%
06/30/14	\$ 788,291	\$ 788,291	\$ -	\$ 2,790,409	28.25%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FUNDING PROGRESS FOR
THE CITY'S OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2015, 2014, AND 2013

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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]
06/30/13	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%
06/30/15	07/01/2014	-	1,665,195	1,665,195	0%	12,980,133	13%

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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO THE CITY COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Johnny Blount	City Council – District 1	\$ 12,600
Jason Hood	City Council – District 2	12,600
Robert Martin	City Council – District 3	6,907
Janice Beard	City Council – District 3	5,788
Lemar Marshall	City Council – District 4	12,600
Michael Williams	City Council – District 5	<u>12,600</u>
		<u>\$ 63,095</u>

The schedule of compensation paid to the 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.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2015

Purpose:	Mayson Foster (Mayor 7/1/14 – 12/31/14)	Pete Panepinto (Mayor 1/1/15 – 6/30/15)
Salary	\$ 41,525	\$ 34,846
Benefits - Health Insurance	3,027	3,333
Benefits – Retirement	8,201	6,882
Benefits – Life Insurance	25	28
Benefits – Dental	130	146
Benefits – HM Critical	233	147
Benefits – Immedia Care	75	-
Car Allowance	2,100	-
Vehicle provided by government	-	431
Cell Phone	550	75
	<hr/>	<hr/>
Total	<u>\$ 55,866</u>	<u>\$ 45,888</u>

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER, CPA¹
WILSON A. LaGRAIZE, JR., CPA/CFF¹
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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 Pete Panepinto, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2015. 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 2015-001, 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*.

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.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 21, 2015

Kushner LaGraize, L.L.C.

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

To the Honorable Pete Panepinto, 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, 2015. 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, 2015.

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.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 21, 2015

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal CFDA Number	Grant Number		<u>Expenditures</u>
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MAJOR FEDERAL AWARDS

U.S. Environmental Protection Agency

Passed through the State of Louisiana Department of Environmental Quality:

66.458	CS-221741-01	Sewer System Infiltration & Inflow	\$ <u>870,983</u>
Total Environmental Protection Agency			<u>870,983</u>
TOTAL MAJOR FEDERAL AWARD EXPENDITURES			870,983

NONMAJOR FEDERAL AWARDS

U.S. Department of Agriculture

Direct Program:

10.168	12-25-G-1337	Farmers' Market and Local Food Promotion Program	834
10.773	LA-12233	Rural Business Opportunity Grant	<u>245</u>
Total Department of Agriculture			1,079

U.S. Department of Housing & Urban Development

Passed through the Louisiana Housing Corporation:

14.231	LHA-13-15-08	Emergency Solutions Grant Program	<u>20,528</u>
Total Department of Housing & Urban Development			20,528

U.S. Department of Homeland Security

Direct Program:

97.044	EMW-2013-FO-06331	Assistance to Firefighter Grant	<u>59,580</u>
Total Department of Homeland Security			59,580

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2015

Federal CFDA Number	Grant Number		Expenditures
U.S. Department of Justice			
Direct Program:			
16.607	BA-2000S-SM01	Bulletproof Vest Partnership Program	1,762
16.607	BA-2000S-SM01	Bulletproof Vest Partnership Program	1,644
16.738	2012-DJ-BX-0483	Edward Byrne Memorial Justice Assistance Grant Program	122
16.738	2013-DJ-BX-0192	Edward Byrne Memorial Justice Assistance Grant Program	394
16.738	2014-DJ-BX-0994	Edward Byrne Memorial Justice Assistance Grant Program	<u>28,425</u>
			32,347
Passed through the State of Louisiana Commission on Law Enforcement:			
16.738	2014-DJ-06-2323	Edward Byrne Memorial Justice Assistance Grant Program	13,580
16.738	2012-DJ-06-1850	Edward Byrne Memorial Justice Assistance Grant Program	9,000
16.922	LA-0530100	Equitable Sharing Program	42,390
16.523	2012-JB-01-1605	Juvenile Accountability Block Grant	<u>2,500</u>
			<u>67,470</u>
Total Department of Justice			99,817
U.S. Department of Transportation			
Direct Program:			
N/A	50-MB9-122-01	Airport Tower	26,829
Passed through the State of Louisiana Department of Transportation and Development:			
20.205	H.006606	Safe Routes Citywide Youth Pedestrian	30,858
20.205	H.003432 & H.010087	Clearing & Grubbing	<u>8,441</u>
			39,299
Passed through the State of Louisiana Highway Safety Commission:			
Louisiana Highway Safety Commission Highway Safety Cluster:			
20.600	2014-30-27	State and Community Highway Safety	1,259
20.602	2015-30-27	State and Community Highway Safety	11,178
20.616	2015-30-27	State and Community Highway Safety	<u>23,672</u>
Total – Highway Safety Cluster			36,109

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2015

Federal CFDA Number	Grant Number		Expenditures
U.S. Department of Transportation - continued			
Passed through the State of Louisiana Highway Safety Commission:			
20.205	2014-30-29	State and Community Highway Safety	2,513
20.607	2015-30-27	State and Community Highway Safety	<u>9,196</u>
Total Passed through the State Louisiana Highway Safety Commission			<u>47,818</u>
Total Department of Transportation			<u>113,946</u>
U.S. Environmental Protection Agency			
Passed through the State of Louisiana Department of Environmental Quality:			
66.125	BR-00F77001	Lake Pontchartrain Basin Restoration Program	<u>41,046</u>
Total Environmental Protection Agency			41,046
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 Devices Grant and Public Access to Defibrillation Demonstration Grant	<u>11,148</u>
Total Department of Health & Human Services			<u>11,148</u>
TOTAL NONMAJOR FEDERAL AWARD EXPENDITURES			<u>347,144</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 1,218,127</u>

CITY OF HAMMOND, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES

OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

1. 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, 2015, 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.

CITY OF HAMMOND, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITORS' RESULTS:

1. The opinion issued on the financial statements of the City for the year ended June 30, 2015 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, 2015.
4. The City had one major program as follows:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Sewer System Infiltration & Inflow

Type A programs are those programs with Federal awards expended during the current year ended June 30, 2015 exceeding \$300,000. There was one Type A program 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:

2015-001

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, 2015

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.

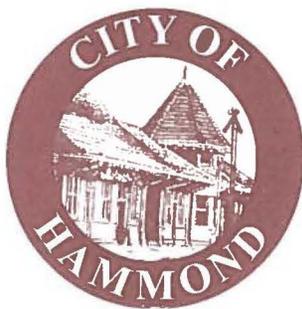
Management's Response:

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, 2015

Status of Prior Year Comments:

- (14-001) 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 2015-001.



Pete Panepinto
Mayor

December 21, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70802

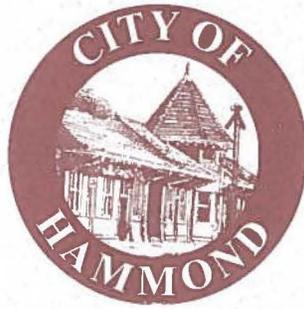
Dear Mr. Purpera,

This letter is submitted in response to the finding noted by our auditors Kushner LaGraize, LLC, during fiscal year 2014–2015 audit for City of Hammond.

Significant Deficiency:

2015 - 001

Currently, the city does not have controls in place to prepare its annual financial statement with required disclosure. The lack of a complete GAAP financial reporting package prepared by the city could prevent those charged with governance from identifying misstatement in timely manner which could result in misstated or incomplete financial statements. We recommend that city review its system to determine the feasibility of improving controls to prepare financial statement disclosures on an annual basis.



Pete Panepinto
Mayor

Response:

To ensure accurate reporting, the City purchased the software to prepare a CAFR, and we are in the process of creating and grouping the City's accounts to prepare GAAP financial statements.

Sincerely,

A handwritten signature in blue ink, which appears to read "Syeda Naeem".

Syeda Naeem
Finance Director