

2209

CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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

Release Date JAN 09 2013

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2012**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Independent Auditors' Report	-	-	1-2
Management's Discussion and Analysis	-	-	3-11
Basic Financial Statements	-	-	12
Statement of Net Assets	A	-	13
Statement of Activities	B	-	14
Combined Balance Sheet - Governmental Funds	C	-	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	D	-	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	-	17
Statement of Net Assets - Proprietary Fund	F		18
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	G	-	19
Statement of Cash Flows - Proprietary Fund	H	-	20
Notes to the Financial Statements	-	-	21-50
Required Supplementary Information	-	-	51
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	I	-	52
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Special Revenue Fund	J	-	53

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2012**

	EXHIBIT	SCHEDULE	PAGE
Supplementary Information	-	-	54
Schedule of Revenues and Expenditures - General Fund	-	1	55-63
Schedule of Operating Expenses by Department - Enterprise Fund	-	2	64-65
Component Unit - City Court	-	-	66
Balance Sheet/Statement of Net Assets	-	3	67
Statement of Revenues and Expenditures and Changes in Fund Balance/Activities	-	4	68
Schedule of Compensation of City Officials	-	5	69
Schedule of Expenditures of Federal Awards	-	6	70
Schedule of Insurance in Force	-	7	71
Performance and Statistical Data	-	-	72
Schedule of Utility Statistics	-	8	73
Other Reports	-	-	74
Report on Compliance and 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	-	9	75-76
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	-	10	77-78
Schedule of Findings and Questioned Costs	-	11	79-84
Schedule of Prior Findings and Questioned Costs	-	12	85

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

The Honorable Mayor David Amrhein
and Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of City of Zachary, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 11 and 51 through 53 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's financial statements as a whole. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The budgetary comparison schedules, combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baxley & Associates, LLC

Zachary, Louisiana
November 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2012. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined net assets as of June 30, 2012 and June 30, 2011 were \$34,956,314 and \$31,906,004, respectively. Net assets of our governmental activities were \$21,481,025 and \$21,144,214, respectively while those of our business-type activities were \$13,475,289 and \$10,761,790, respectively.
- The general fund ended the current fiscal year with a \$7,347,535 fund balance of which \$21,746 is nonspendable and \$445,850 of which applies to interfund payables. In the prior fiscal year, the general fund ended the year with a \$8,138,772 fund balance of which \$414,248 was reserved for the payment of interfund payables.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents supplemental statements and schedules. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide long-term and short-term information about the City's overall financial status and economic condition.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with more detailed schedules providing further insight into the revenue and expenses of the City.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 Major Features of City's Government and Fund Financial Statements				
	Fund Statements			
	Government-wide Statements	Government Funds	Proprietary Funds	
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and streets	Activities the City operates similar to private businesses: the water, sewer and gas systems	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expense, and changes in net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during year, regardless of when cash is received or paid	

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads and utilities infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works, recreation department, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, gas and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page which explains the relationship (or difference) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Assets:

	Table A-1 City's Net Assets	
	Government Activities	Government Activities
	2012	2011
Current and other assets	11,520,420	11,623,670
Capital assets	15,815,302	13,739,565
Total assets	27,335,722	25,363,235
Current liabilities	1,878,160	389,877
Long term liabilities	3,976,537	3,829,144
Total liabilities	5,854,697	4,219,021
Net assets:		
Invested in capital assets, net of related debt	15,812,302	13,684,147
Restricted funds		
Unrestricted	5,668,723	7,460,067
Total net assets	21,481,025	21,144,214

	Table A-1 City's Net Assets	
	Business-Type Activities	Business-Type Activities
	2012	2011
Current and other assets	4,158,146	2,593,484
Capital assets	14,982,261	11,931,381
Total assets	19,140,407	14,524,865
Current liabilities	3,001,815	1,911,420
Long term liabilities	2,663,303	1,851,655
Total liabilities	5,665,118	3,763,075
Net assets:		
Invested in capital assets, net of related debt	12,168,815	10,119,169
Restricted funds		
Unrestricted (deficit)	1,306,474	642,621
Total net assets	13,475,289	10,761,790

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Changes in Net Assets

The City's total change in net assets was, \$3,050,310; \$336,811 from governmental activities and \$2,713,499 from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net assets. The City of Zachary continues to experience an overall positive change in net assets. The City has undertaken an aggressive sewer rehab and replacement project as a result of .95% bond interest rate from DEQ. This will allow the City to replace or repair over 80% of sewer lines and lift stations that are over 5 years old. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	Table A-2	
	Changes in City's Net Assets	
	Government Activities	Government Activities
	2012	2011
Revenues		
Charges for services	1,341,409	1,187,179
Fines	212,686	184,892
Grants and contributions	879,833	765,144
General revenues:		
Taxes	8,889,745	8,013,276
Commissions	1,215,394	1,270,083
Licenses and permits	497,084	481,540
Miscellaneous/Interest Income	382,839	669,192
Total Revenues	13,418,990	12,571,306
Expenses		
General Government	5,149,890	4,819,196
Public Safety	5,996,904	5,397,742
Streets	998,672	866,433
Sanitation	976,713	1,095,755
Total Expenses	13,122,179	12,179,126
Transfers/Capital Contributions	40,000	58,000
Increase in net assets	336,811	450,180

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Changes in Net Assets (continued)

	Table A-2	
	Changes in City's Net Assets	
	Business-Type Activities	Business-Type Activities
	2012	2011
Revenues		
Charges for services	7,751,118	5,309,159
General revenues:		
Miscellaneous/Interest Income	7,702	7,245
Total Revenues	7,758,820	5,316,404
Expenses		
Water	1,248,923	1,029,565
Gas	1,671,010	1,793,791
Sewer	831,714	760,806
General and administrative	344,585	288,247
Depreciation	949,089	880,790
Total Expenses	5,045,321	4,753,199
Non-operating Revenues		
(Expenses)	-	-
Increase (Decrease) in net assets	2,713,499	563,205

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$10,683,763 consisting of \$7,347,535 in the general fund and \$3,336,228 in the special revenue fund. With the exception of \$21,746 the fund balance in the general fund and the balance in the special revenue fund are unreserved and available for spending.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. Sales tax revenues increased by 10.7% over the previous year. There were both increases and decreases in various expenses but the overall level of budget expenses decreased. The Administration continues to budget conservatively as a result of the uncertainty in the overall economy. As noted previously, costs beyond the City's control continue to increase, i.e. retirement and insurance.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

CAPITAL ASSETS

At the end of June 2012, the City had invested \$30,722,519 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$5,051,573 over the previous year.

Table A-3 City's Capital Assets				
	Government Activities		Business Activities	
	2012	2011	2012	2011
Land	2,354,222	2,175,222	29,761	29,761
Construction-in-progress	926,797	527,381	1,281,631	418,010
Building/Infrastructure	3,778,560	3,546,898	26,112,277	23,652,665
Road Infrastructure	9,122,967	8,124,112	-	-
Equipment	6,291,897	5,428,986	2,125,489	1,579,418
Less: Accumulated Depreciation	(6,659,142)	(6,063,034)	(14,641,940)	(13,748,473)
Total	15,815,301	13,739,565	14,907,218	11,931,381

This year's major capital asset additions included:

- Roadway improvements totaling \$1,425,978
- Sewer Rehab/Construction totaling \$ 998,291
- Land/Property acquisition totaling \$410,000

Construction-in-Progress:

- Sewer System Rehab in Business Activities totaling \$ 1,281,632

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's major sources of revenue for the general fund are sales taxes, utility franchise fees, licenses and permits, and fines. Sales taxes continue to be the largest single contributor to the finances of the City. Taxes increased from 2011 to 2012 by 10.8% but the Administration does not expect to see that same increase this next year. We do feel that as the City continues to add commercial entities and with the possibility of an industrial park being constructed within the City sales taxes will begin to increase within the next few years. Outside economic forces will have an impact on Zachary as it does to the rest of the Nation.

One area of concern to the City is the continued increase in employee related benefits that is beyond the City's control, i.e. retirement and health insurance costs. These continue to increase every year and the trend is not expected to decline in the near future. The impact on the city's budget and the ability to forecast that budget becomes increasingly more challenging each year. Eventually, if these costs continue to rise, Cities will need to review both their hiring practices and their benefits packages offered to employees. The Administration increased their deductible limits with the health insurance for the calendar year 2013 as a result of the increased costs.

As a result of the Department of Environmental Quality's low bond rate, .95%, the City has begun a very comprehensive sewer rehab program that will overhaul the majority of the City's internal sewer system. The total bond issue will be between \$9 million and \$14 million dollars. This will result in the City not having to do any major repairs to the sewer system for the next 14 to 20 years. We are also working with DOTD and their transfer road fund to acquire dollars to build new road infrastructure for the City.

The Administration has and will closely work with all departments and Council to effectively and efficiently administer the funds received in accordance with all Federal and State laws. The fund balance of the City remains strong and we are confident that they will be so.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions or requests for additional information should be directed to the Director of Administration, P.O. Box 310, Zachary, LA 70791, (225) 654-0287.

BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,651,336	\$ 1,324,002	\$ 8,975,338	\$ 101,218
Certificates of deposit	1,743,254	-	1,743,254	-
Account receivable	1,199,540	1,109,538	2,309,078	-
Accrued interest receivable	2,256	-	2,256	-
Other receivables	902,288	801,718	1,704,006	-
Prepaid expenses	21,746	26,094	47,840	-
Inventory	-	165,402	165,402	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	627,560	627,560	-
Investments	-	100,000	100,000	-
Utility revenue bond:				
Cash and cash equivalents	-	3,832	3,832	-
Capital assets:				
Land and construction in progress	3,281,018	1,311,392	4,592,410	-
Depreciable capital assets, net of depreciation	12,534,284	13,595,826	26,130,110	172,753
Other assets:				
Costs of issuance	-	75,043	75,043	-
TOTAL ASSETS	\$ 27,336,722	\$ 19,140,407	\$ 46,476,129	\$ 273,971
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 944,875	\$ 948,089	1,892,964	\$ -
Other payables	330,066	797,822	1,127,888	270
Interfund balances	(438,284)	438,284	-	-
Customer meter deposits		611,851	611,851	-
Long-term debt:				
Other Post employment benefits	3,837,115	-	3,837,115	
Due within one year	1,041,503	205,789	1,247,272	32,000
Due beyond one year	139,422	2,663,303	2,802,725	86,000
TOTAL LIABILITIES	5,854,697	5,665,118	11,519,815	128,270
NET ASSETS				
Invested in capital assets, net of related debt	15,812,302	12,168,816	27,981,117	44,753
Unrestricted	5,668,723	1,306,474	6,975,197	100,948
TOTAL NET ASSETS	\$ 21,481,025	\$ 13,475,289	\$ 34,956,314	\$ 145,701

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 5,148,890	\$ 310,851	\$ 472,843	\$ (4,366,396)	\$ -	\$ (4,366,396)	\$ -
Streets	998,672	-	53,051	(845,621)	-	(845,621)	-
Public Safety	5,886,804	-	353,939	(5,842,965)	-	(5,642,965)	-
Sanitation	978,713	1,030,758	-	54,045	-	54,045	-
Total Governmental Activities	13,122,178	1,341,409	879,833	(10,900,937)	-	(10,900,937)	-
Business-type Activities:							
Enterprise - Utilities	5,045,321	6,164,741	1,586,377	-	2,705,797	2,705,797	-
Total Business-type Activities	5,045,321	6,164,741	1,586,377	-	2,705,797	2,705,797	-
Total Primary Government	18,167,500	7,506,150	2,466,210	(10,900,937)	2,705,797	(8,195,140)	-
Component Units							
Judicial services	729,237	834,036	-	-	-	-	104,799
Total Component Units	729,237	834,036	-	-	-	-	104,799
General Revenues:							
Taxes				8,889,745	-	8,889,745	-
Fines				212,686	-	212,686	-
Commissions				1,215,394	-	1,215,394	-
License and permits				497,084	-	497,084	-
Interest income				13,929	1,293	15,222	-
Others				359,910	6,409	375,319	-
Transfers				40,000	-	40,000	(40,000)
Total general revenues and transfers				11,237,748	7,702	11,245,450	(40,000)
Change in net assets				336,811	2,713,499	3,050,310	84,799
NET ASSETS, Beginning				21,144,214	10,781,790	31,806,004	80,802
NET ASSETS, Ending				\$ 21,481,025	\$ 13,478,289	\$ 34,959,314	\$ 145,701

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Sales Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,491,203	\$ 2,160,133	\$ 7,651,336
Certificates of deposit	149,197	1,594,057	1,743,254
Sales tax receivable	990,828	208,712	1,199,540
Other receivables	902,288	-	902,288
Prepaid expenses	21,746	-	21,746
Accrued interest receivable	-	2,256	2,256
Due from other funds	445,850	-	445,850
TOTAL ASSETS	\$ 8,001,112	\$ 3,965,158	\$ 11,966,270
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 353,626	\$ 591,249	\$ 944,875
Other payables	299,951	30,115	330,066
Due to other funds	-	7,566	7,566
Total liabilities	653,577	628,930	1,282,507
Fund balance:			
Nonspendable	21,746	-	21,746
Committed	-	3,336,228	3,336,228
Unassigned	7,325,789	-	7,325,789
Total fund balances	7,347,535	3,336,228	10,683,763
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,001,112	\$ 3,965,158	
Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Cost of capital assets at June 30, 2012		22,474,444	
Less: accumulated depreciation at June 30, 2012		<u>(6,659,142)</u>	15,815,302
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:			
Note Payable - litigation		\$ (131,000)	
OPEB Liability		(3,837,115)	
Capital lease obligation		(67,168)	
Claims and judgments payable - vehicle sales tax		(211,676)	
Compensated absences		<u>(771,081)</u>	(5,018,040)
Net assets of governmental activities			\$ 21,481,025

The accompanying notes are an integral part of this statement.

EXHIBIT D

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 7,531,318	\$ 1,358,427	\$ 8,889,745
Licenses and permits	497,084	-	497,084
Intergovernmental	873,402	6,431	879,833
Charges for services	1,341,409	-	1,341,409
Commissions	1,215,394	-	1,215,394
Fines	212,686	-	212,686
Proceeds from loan	100,752	-	100,752
Miscellaneous	372,769	10,070	382,839
TOTAL REVENUES	12,144,814	1,374,928	13,519,742
EXPENDITURES			
General Government	4,098,394	-	4,098,394
Court	346,855	-	346,855
Public Safety -			
Police	4,052,065	-	4,052,065
Fire	2,741,164	-	2,741,164
Streets	760,860	1,425,978	2,186,838
Sanitation	976,713	-	976,713
TOTAL EXPENDITURES	12,976,051	1,425,978	14,402,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(831,237)	(51,050)	(882,287)
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	40,000	-	40,000
TOTAL OTHER FINANCING SOURCES (USES)	40,000	-	40,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(791,237)	(51,050)	(842,287)
FUND BALANCE (DEFICIT), Beginning	8,138,772	3,387,278	11,526,050
FUND BALANCE (DEFICIT), Ending	\$ 7,347,535	\$ 3,336,228	\$ 10,683,763

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - Governmental Funds (Page 15)	\$ (842,287)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Capital outlay which is considered expenditures; capitalized on statement of activities	2,809,239
Net book value of assets disposed of during fiscal year	(24,299)
Depreciation expense for the year ended June 30, 2012	(709,194)
Annual OPEB expense	(1,033,670)
Outstanding Litigation at June 30, 2012	131,000
Redistribution of vehicle tax revenue	105,837
Principal payments of capital lease	89,005
Proceeds from loan	(100,752)
Excess of compensated absences earned over compensated absences used	<u>(88,068)</u>
Change in net assets of governmental activities (Page 13)	<u>\$ 336,811</u>

The accompanying notes are an integral part of this statement.

EXHIBIT F

**CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,324,002
Accounts receivable (net)	1,109,536
Other receivables - federal	786,245
Other receivables - miscellaneous	15,473
Prepaid expense	26,094
Inventory	165,402
Total current assets	<u>3,428,754</u>
Restricted assets	
Customer deposits:	
Cash and cash equivalents	627,560
Investments	100,000
Utility revenue bond:	
Cash and cash equivalents	<u>3,832</u>
Total restricted assets	<u>731,392</u>
Capital assets	
Land	29,761
Construction in progress	1,281,631
Structures and improvements	26,112,277
Machinery and equipment	<u>2,125,489</u>
	29,549,158
Less accumulated depreciation	<u>(14,641,940)</u>
Total capital assets	<u>14,907,218</u>
Other assets	
Costs of issuance	<u>75,043</u>
TOTAL ASSETS	<u>\$ 19,140,407</u>
LIABILITIES	
Current liabilities (payable from current assets)	
Payable from current assets:	
Accounts payable	\$ 948,089
Other payables	797,822
Compensated absences	130,669
Long-term debt, current	75,100
Due to other funds	438,284
Payable from restricted assets:	
Customers' deposits	<u>611,851</u>
Total current liabilities	<u>3,001,815</u>
Long-term liabilities	
Long-term debt	<u>2,663,303</u>
Total long-term liabilities	<u>2,663,303</u>
TOTAL LIABILITIES	5,665,118
NET ASSETS	
Invested in capital assets, net of related debt	12,168,815
Unrestricted	<u>1,306,474</u>
Total Net Assets	<u>13,475,289</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,140,407</u>

The accompanying notes are an integral part of this statement.

EXHIBIT G

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Charges for services:	
Water sales	\$ 2,050,070
Gas sales	2,088,349
Sewer service charges	614,161
Installation charges	161,225
Intergovernmental grant	1,586,377
Late fees	122,950
Miscellaneous service revenues	1,127,988
TOTAL OPERATING REVENUES	<u>7,751,118</u>
OPERATING EXPENSES	
Water department	1,248,923
Gas department	1,671,010
Sewer department	831,714
General and administrative	320,687
Depreciation	949,089
TOTAL OPERATING EXPENSES	<u>5,021,323</u>
OPERATING INCOME	<u>2,729,795</u>
NONOPERATING REVENUES (EXPENSES)	
Gain on sale of fixed assets	6,409
Interest income	1,293
Interest expense	(23,998)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(16,296)</u>
CHANGE IN NET ASSETS	2,713,499
NET ASSETS - Beginning	<u>10,761,790</u>
NET ASSETS - Ending	<u><u>\$ 13,475,289</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT H

**CITY OF ZACHARY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012**

	<u>Utility Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,529,036
Cash received from customer deposits	26,593
Cash payments to suppliers and employees	(2,016,509)
Cash payments to employees	(1,106,467)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,432,654</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(3,927,557)
Gain on retirement of asset	6,409
Issuance costs	(75,043)
Proceeds from loan	898,291
Interest payments on long-term debt	(23,998)
Principal payments on note	(72,100)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,091,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,293
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,293</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	342,580
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,612,814</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,955,394</u>
RECONCILIATION OF CASH AS LISTED ON BALANCE SHEET:	
Unrestricted cash	\$ 1,324,002
Restricted cash	631,392
	<u>\$ 1,955,394</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 2,729,795
Adjustments to reconcile operating income to net cash provided by operating activities:	
Gain on retirement of asset	
Depreciation	849,089
(Increase) in accounts receivable	(417,899)
(Increase) in other receivables	(789,787)
(Increase) in inventory	(13,223)
(Increase) in prepaid expense	(1,373)
Increase in accounts payable and accrued expenses	974,667
Increase in customer deposits	26,593
Increase in compensated absences	19,126
(Decrease) in due to other funds	(44,534)
Total adjustments	<u>702,858</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,432,654</u>
Interest Paid	<u>\$ 23,998</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 13,000 inhabitants with its boundaries located in East Baton Rouge Parish.

The accounting and reporting practices of the City of Zachary conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. The City's proprietary fund applies all Financial Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements prevail. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, and to the industry guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the City of Zachary, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) the organizations for which the primary government is financially accountable, and (c) other organizations for which 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.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Zachary, Louisiana 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. These criteria include the following:

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 organizations 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 on the municipality.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City of Zachary, Louisiana (the primary government) and its component unit. The component unit included in the accompanying financial statements is discretely presented.

Discretely Presented Component Unit

Component units that are legally separate from the municipality but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented. The "Component Unit" column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the municipality.

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 14 as another legally separate organization for which the elected City officials are financially accountable.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display financial information about the City of Zachary as a whole entity. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, while business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the assets and liabilities of each activity, with the difference reported as net assets. Net assets are further segregated between the amounts invested in capital assets, amounts which are restricted, and those which are unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or functions, and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) fees, fines and charges paid by the recipients of goods, services, or privileges offered by a program 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial settlements is on major governmental and enterprise funds, each displayed in a separate column.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The daily accounts and operation of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following Major Governmental Funds:

1. General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

This fund accounts for the collection and expenditure of a one-half cent sales tax which is restricted to street improvement and maintenance.

The City reports the following Major Enterprise Fund:

Public Utilities Fund – As a proprietary fund, the public utility fund is used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods and services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and 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. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claim and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating and Non-operating Revenues and Expenses

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 utility department enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, 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.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	35-40 years
Sewerage system	25-35 years
Gas system	35 years
Water system	12-35 years
Office equipment	5-10 years
Automotive equipment	5-10 years

Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to the Members of the Council prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Members of the Council.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with generally accepted accounting principles.

Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The level of budgeted control is total appropriations. Budgeted amounts are as originally adopted.

The original budgeted beginning fund balance is noted on the budget to actual statements in the current year to more accurately reflect the budgets as they were actually presented to the council.

Cash and Cash Equivalents and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, and certificates of deposit, are stated at cost, which approximates market. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the City may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Accounts Receivable and Bad Debt

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,109,538 are reported net of allowance for uncollectible accounts for the year ended June 30, 2012. Revenues of \$7,751,118 are reported net of uncollectible amounts for the year ended June 30, 2012.

Inventory

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid expenses.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

Restricted assets included cash and cash equivalents that are legally restricted as to their use. The restricted assets are related to the customers' water deposits and restricted LAMP funds and bond accounts.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the individual funds. These interfund receivables/payables are classified on the balance sheet as "Due from Other Funds" or "Due to Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Compensated Absences

Employees earn up to 30 days vacation leave each year, depending on their length of service. Vacation leave can be accumulated. Upon termination, all unused vacation is paid to the employee up to a maximum of 60 days.

Employees earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for the accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In compliance with GASB Statement 16, the City records a liability for earned vacation and sick leave and reflects the liability for this on the government-wide financial statements.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2012, in the governmental fund financial statements.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Obligations

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

Net Assets

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

Net assets that are reserved by external sources, such as banks or by law, are reported separately as restricted net assets.

Unrestricted Net Assets

This category represents all net assets not invested in capital assets or restricted.

Operating Transfers

Advances between funds which are not expected to be repaid are accounted for as operating transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts. These are eliminated in the government-wide statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months, or less when purchased to be cash equivalents.

Fund Equity

City of Zachary, Louisiana elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, fund balance of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted – Amounts that can be spent only for specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations or other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Councilmen.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes.

Unassigned – All other spendable amounts.

As of June 30, 2012, all fund balances are as follows:

	General Fund	Sales Tax Fund	Total Governmental Funds
Nonspendable:			
Prepaid Items	\$ 21,746	\$ -	\$ 21,746
Committed:			
Capital Outlay	-	3,336,228	3,336,228
Unassigned	<u>7,325,789</u>	<u>-</u>	<u>7,325,789</u>
Total Fund Balances	<u>\$ 7,347,535</u>	<u>\$ 3,336,228</u>	<u>\$ 10,683,763</u>

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the City or the assignment has been changed by the City. Decreases in fund balance first reduce Unassigned fund balance; in the event that Unassigned becomes zero, then Assigned and Committed fund balances are used in that order.

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2012, the City of Zachary, Louisiana had cash and cash equivalents (book balances) totaling \$9,606,730 and bank balances totaling \$9,649,085 as follows:

Non-interest bearing demand deposits	\$ 1,317,670
Interest bearing demand deposits	8,331,415
Total	<u>\$ 9,649,085</u>

The deposits are stated at cost, which approximates market.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Security on Deposits:

Under state law, these deposits (or 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 bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012, the City had the following security on deposits as shown on the following page:

	<u>Primary Government</u>			<u>Component Unit - City Court</u>
	<u>Cash</u>	<u>Nonnegotiable Certificates of Deposit</u>	<u>Total</u>	<u>Cash</u>
Deposits per Balance Sheet (Reconciled bank balance)	\$ 9,606,730	\$ 1,843,255	\$ 11,449,985	\$ 101,218
Deposits in bank accounts per bank	\$ 9,649,085	\$ 1,843,255	\$ 11,492,340	\$ 139,871
Bank balances exposed to custodial credit risk:			\$ 10,979,765	\$ -
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			\$ 10,979,765	\$ 139,871

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City of Zachary, Louisiana that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments of the City of Zachary, Louisiana consist of certificates of deposit, U.S. government securities, and Louisiana Asset Management Pool investments. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The City used quoted market values to determine fair value of the investments.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Interest Rate Risk – The City of Zachary has no formal investment policy, but has adopted the state investment policy at LA RS 49:327. The City invests in investments with maturities limited to five year as means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, U.S. government securities, and LAMP investments. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2012, \$10,979,765 of the City's bank balances of \$11,492,340 were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Concentration of Credit Risk – The City places no limits on the amount they may invest in any one issuer.

The City of Zachary, Louisiana had the following investments at June 30, 2012:

Descriptions	Cost	Fair Value	Maturity Date	Interest Rate
Certificates of deposit - Various banks	\$ 1,843,255	\$ 1,843,255	7-16-12/12-18-12	.15-1.00%
Louisiana Asset Management Pool	1,216	1,216	see below	0.14%
Total Investments	\$ 1,844,471	\$ 1,844,471		

Certificates of Deposit

At June 30, 2012, the City held certificates of deposit, with an original maturity greater than 90 days, totaling \$1,843,255. These investments are stated on the balance sheet at market value.

Louisiana Asset Management Pool, Inc.

Investments held at June 30, 2012 consist of \$1,216 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Sections 150.126, the investment in LAMP at June 30, 2012 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

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

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

- *Credit risk:* LAMP is rated AAAM by Standard & Poor's.
- *Custodial credit risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of credit risk:* Pooled investments are excluded from the 5 percent disclosure requirement.
- *Interest rate risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM of LAMP's total investments is 71 as of June 30, 2012.
- *Foreign currency risk:* Not applicable to 2a7-like pools.

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

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The receivables at June 30, 2012 are as follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fines	\$ 13,012	\$ -
Sales tax	1,199,540	-
Charge for services	237,668	1,109,538
Garbage collection fees	278,745	-
Commissions	60,916	-
Federal Loan Project	-	786,245
Other	311,948	15,473
Total	\$ 2,101,829	\$ 1,911,256

NOTE D: RESTRICTED ASSETS

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest bearing account which is designated specifically for meter deposits. At June 30, 2012, customer deposits amounted to \$727,560.

Certain resources are set aside for repayment of bond indebtedness and are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances. The following schedule summarizes the current year transactions in the major categories of these restricted accounts:

	<u>Utility Revenue Bond Debt Service Fund</u>	<u>Utility Revenue Bond Debt Service Reserve Fund</u>	<u>Depreciation & Contingency Fund</u>
Beginning balance, February 1, 2012	\$ -	\$ -	\$ -
Add:			
Transfers from other funds	1,000	2,831	-
Interest earned	-	1	-
Total funds available	1,000	2,832	-
Less:			
Interest payments	-	-	-
Ending balance	\$ 1,000	\$ 2,832	\$ -

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D: RESTRICTED ASSETS, continued

The construction fund is also a required restricted fund per the bond ordinance. However, this fund was not established at June 30, 2012. See current year finding 2012-5.

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2012:

	2012
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 627,560
Investments	100,000
Utility Revenue Bond:	
Cash and Cash Equivalents	3,832
Total	\$ 731,392

NOTE E: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Primary Government			
	Balance			Balance
	6/30/2011	Additions	Deletions	6/30/2012
Land	\$ 2,175,222	\$ 179,000	\$ -	\$ 2,354,222
Road infrastructure	8,124,112	998,855	-	9,122,967
Buildings and improvements	3,546,898	231,662	-	3,778,560
Machinery and equipment	5,428,986	985,495	(122,584)	6,291,897
Construction in progress- Streets	512,570	711,315	(299,038)	924,847
Construction in progress - Fire Dept	14,811	-	(14,811)	-
Construction in progress - Food Pantry	-	1,950	-	1,950
Total Capital Assets	\$ 19,802,599	\$ 3,108,277	\$ (436,433)	\$ 22,474,443

	Primary Government					
	Accumulated				Accumulated	Capital Assets
	Depreciation			Depreciation	Net of	
Balance			Balance	Accumulated		
6/30/2011	Additions	Deletions	6/30/2012	Depreciation		
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,354,222	
Road infrastructure	788,072	225,489	-	1,013,561	8,109,407	
Buildings and improvements	1,252,888	108,965	-	1,361,853	2,416,707	
Machinery and equipment	4,022,074	374,740	(113,086)	4,283,728	2,008,169	
Construction in progress- Streets	-	-	-	-	924,847	
Construction in progress - Fire Dept	-	-	-	-	-	
Construction in progress - Food Pantry	-	-	-	-	1,950	
Total Accumulated Depreciation	\$ 6,063,034	\$ 709,194	\$ (113,086)	\$ 6,659,142	\$ 15,815,302	

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

Depreciation expense for the year ended June 30, 2012 was charged to the following governmental functions:

General government	\$	483,705
Streets		225,489
	<u>\$</u>	<u>709,194</u>

A summary of changes in capital assets for business-type activities is as follows:

	Business-Type Activities				Balance 6/30/2012
	Balance 6/30/2011	Additions	Deletions	Reclass- ifications	
Land	\$ 29,781	\$ -	\$ -	\$ -	\$ 29,781
Construction in progress	418,010	3,238,438	-	(2,374,818)	1,281,632
Buildings and improvements, Gas, water, sewer systems	23,652,685	84,795	-	2,374,818	26,112,278
Machinery and equipment	1,579,418	604,324	(58,253)	-	2,125,489
Total Capital Assets	<u>25,679,854</u>	<u>3,927,557</u>	<u>(58,253)</u>	<u>-</u>	<u>29,549,158</u>

	Business-Type Activities				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation Balance 6/30/2011	Additions	Deletions	Accumulated Depreciation Balance 6/30/2012	
Land	\$ -	\$ -	\$ -	\$ -	\$ 29,761
Construction in progress	-	-	-	-	1,281,632
Buildings and Improvements Gas, water, sewer systems	12,435,248	832,461	-	13,267,709	12,844,567
Machinery and equipment	1,313,225	116,628	(55,622)	1,374,231	751,258
Total Accumulated Depreciation	<u>\$ 13,748,473</u>	<u>\$ 949,089</u>	<u>\$ (55,622)</u>	<u>\$ 14,641,940</u>	<u>\$ 14,907,218</u>

Depreciation expense for the year for business-type activities ended June 30, 2012 totaled \$949,089.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

	<u>Component Unit</u>			<u>Balance 6/30/2012</u>
	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	
Machinery and equipment	\$ 112,949	\$ 172,617	\$ -	\$ 285,566
Accumulated depreciation	<u>(90,096)</u>	<u>(22,717)</u>	<u>-</u>	<u>(112,813)</u>
Capital assets, net of accumulated depreciation	<u>\$ 22,853</u>	<u>\$ 149,900</u>	<u>\$ -</u>	<u>\$ 172,753</u>

Depreciation expense for the year for the component unit ended June 30, 2012 totaled \$22,717.

NOTE F: INTERFUND RECEIVABLE AND PAYABLE

Interfund receivable and payable representing short-term borrowing at June 30, 2012 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Special revenue fund	\$ -	\$ 7,566
General fund	445,849	-
Proprietary fund	<u>-</u>	<u>438,283</u>
	<u>\$ 445,849</u>	<u>\$ 445,849</u>

NOTE G: COSTS OF ISSUANCE

On February 1, 2012, \$9,300,000 of utilities revenue bonds were issued. The actual issuance cost was \$75,043. This amount will be amortized over the life of the bonds beginning after the 2 year construction period when payments commence.

Cost of issuance	<u>2012</u> \$ 75,043
Less: Amortization	-
Cost of issuance at June 30, 2012	<u>\$ 75,043</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	June 30, 2011	Additions	Deletions	June 30, 2012	Current Portion
Governmental Activities:					
Capital lease obligation	\$ -	\$ 100,752	\$ (33,584)	\$ 67,168	\$ 33,584
Capital lease obligation	55,421	-	(55,421)	-	-
Note Payable -litigation	262,000	-	(131,000)	131,000	131,000
Claims and judgements- Vehicle Sales Tax Collector	317,513	-	(105,838)	211,675	105,838
Compensated absences	683,023	88,058	-	771,081	771,081
	<u>\$ 1,317,957</u>	<u>\$ 188,810</u>	<u>\$ (325,843)</u>	<u>\$ 1,180,924</u>	<u>\$ 1,041,503</u>
Business-Type Activities:					
Compensated absences	\$ 111,543	\$ 19,126	\$ -	\$ 130,669	\$ 130,669
Bonds payable	-	998,291	-	998,291	-
Loan agreement	1,812,212	-	(72,100)	1,740,112	75,100
	<u>\$ 1,923,755</u>	<u>\$ 1,017,417</u>	<u>\$ (72,100)</u>	<u>\$ 2,869,072</u>	<u>\$ 205,769</u>

Capital Lease Obligation

Capital leases are accounted for in accordance with Section L20 of GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital leases and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Assets.

In November 2011, the City executed a 36 month lease agreement with Ford Motor Credit Company for 4 new cars in the amount of \$100,752. The annual interest rate is 6.00%

The future minimum lease payments under these agreements as of June 30, 2012 are as follows:

2013	\$ 33,584
2014	<u>33,584</u>
	<u>\$ 67,168</u>

Component Unit

In October 2011, the City Court executed a 60 month lease agreement with Dan Haggerty & Associates, Inc. for computer software in the amount of \$160,000.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT, continued

The future minimum lease payments under these agreements as of June 30, 2012 are as follows:

2013	\$	32,000
2014		32,000
2015		32,000
2016		32,000
		32,000
	\$	128,000

Loan Agreement

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement are drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2012 was 1.43%.

The future annual debt service requirements as of June 30, 2012, are as follows:

		<u>LCDA Loan</u>
Balance July 1, 2011	\$	1,812,212
Principal Payments		(72,100)
Balance, June 30, 2012	\$	1,740,112
Current portion as of June 30, 2012	\$	75,100
Long-term liability as of June 30, 2012		1,665,012
Total liability as of June 30, 2012	\$	1,740,112

Bonds Payable

In 2012, the City of Zachary, Louisiana was issued \$9,300,000 of Utilities Revenue Bonds, Series 2012 from the State Revolving Fund Program through the Louisiana Department of Environmental Quality, a flow through from the United States Environmental Protection Agency. These funds must be used for the purpose of providing for constructing and acquiring improvements and extensions to the Utility system. As of June 30, 2012, \$998,291 was drawn on the loan. The bonds bear interest at .45% per annum and administrative fees at .50% with a maturity of 20 years. The bonds are payable in semiannual installments of interest beginning in July 2012 and annual installments of principal beginning in January 2015. The following is a summary of the loan transactions as of June 30, 2012:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE G: LONG-TERM DEBT, continued

	Revenue Bonds
Balance July 1, 2011	\$ -
Bond proceeds	998,291
Principal Payments	-
Balance, June 30, 2012	\$ 998,291
Current portion as of June 30, 2012	\$ -
Long-term liability as of June 30, 2012	998,291
Total liability as of June 30, 2012	\$ 998,291

The annual requirements to amortize all debt outstanding as of June 30, 2012 including interest payments of \$1,142,253 and administrative fees of \$588,503 are as follows:

Year Ending June 30	Utility Revenue Bonds Series 2012 *	LCDA Loan	Capital Lease Obligation - Governmental	Note Payable - Governmental	Totals
2013	\$ 117,652	\$ 120,343	\$ 33,584	\$ 236,838	\$ 508,417
2014	129,579	122,590	33,584	105,837	391,590
2015	551,397	125,129	-	-	676,526
2016	549,076	127,247	-	-	676,323
2017	547,589	129,854	-	-	677,443
2018	513,143	132,233	-	-	645,376
2019-2023	2,563,680	705,218	-	-	3,268,898
2024-2028	2,563,943	695,445	-	-	3,259,388
2029-2033	2,563,924	-	-	-	2,563,924
2034	512,826	-	-	-	512,826
Total	10,612,809	2,158,059	87,168	342,675	13,180,711
Less Current Maturities	-	(75,100)	(33,584)	(236,838)	(345,522)
	\$ 10,612,809	\$ 2,082,959	\$ 33,584	\$ 105,837	\$ 12,835,189

* The annual requirements were taken from a preliminary amortization schedule. The project will be completed within two years from the date of the bond ordinance at which time the loan will be closed and a new amortization schedule will be issued.

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE

All of the income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the City's Utilities Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, at least a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.
- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).

- 5) Any money remaining in the Revenue Fund after making the above-required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

NOTE I: ACCOUNTS, SALARIES, AND OTHER PAYABLES

A summary of payables at June 30, 2012 is as follows:

<u>Class of Payables</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>
Accounts payable	\$ 443,486	\$ 621,364	\$ 948,089
Accrued payroll expense	210,092	-	40,208
Accrued expenses	-	-	757,614
Total	<u>\$ 853,578</u>	<u>\$ 621,364</u>	<u>\$ 1,745,911</u>

NOTE J: AD VALOREM TAXES

Ad valorem taxes are levied and are actually billed to the taxpayers in December of each year. Billed ad valorem taxes become delinquent on January 2nd of the following calendar year. If ad valorem taxes are unpaid by June 30, the property is offered at a tax sale, and thirty days after the tax sale a lien is placed on the property.

The East Baton Rouge Parish Sheriff's office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2012 calendar year, taxes of 3.17 mils were levied (6.75 mils authorized) on property with assessed valuations totaling \$110,252,000 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2012 totaled \$394,068.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: DEFINED BENEFIT PENSION PLAN

Substantially all employees of the City of Zachary are members of either, the Municipal Employees Retirement System of Louisiana, The Municipal Police Employees Retirement System of Louisiana, or the Firefighters' Retirement System. The systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to each plan follows:

a. Municipal Employees Retirement System of Louisiana (MERS)

Plan description: All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. MERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Funding policy: Plan members are required by state statute to contribute 9.25 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 16.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2012, 2011, 2010, 2009, and 2008 totaled \$449,999, \$327,822, \$314,134, \$307,155, and \$318,445, respectively, equal to the required contributions.

The City pays a portion of the 9.25% employee retirement contribution which would otherwise be deducted from the employees' salary. The City's payment of this employee portion is optional and can be changed.

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. MPERS provide retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE K: DEFINED BENEFIT PENSION PLAN, continued

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 26.50 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2012, 2011, 2010, 2009, and 2008 totaled \$551,521, \$460,895, \$205,252, \$162,068, and \$240,309, respectively, equal to the required contributions.

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System of Louisiana, P.O. Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 10.00 percent of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 23.25%). The contribution requirements of plan member and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2012, 2011, 2010, 2009, and 2008 totaled \$243,622, \$229,307, \$142,655, \$117,707, and \$125,783, respectively.

NOTE L: OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City of Zachary's medical/dental benefits are provided through a comprehensive 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 services; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

Life insurance coverage in the flat amount of \$2,500 is provided to retirees (not dependents) and the blended rate (for active and retired combine) is approximately \$0.84 per \$1,000 of insurance. The employer pays 90% of the "cost" of the retiree life insurance, but it is based on the blended rate. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

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 the official plan documents.

Fund Policy. Until 2008, the City of Zachary recognized the cost of providing post-employment medical and life benefits (City of Zachary's portion of the retiree medical and life 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 2012, the City of Zachary's portion of health care funding cost for retired employees totaled \$311,466, and the life insurance totaled \$4,766.

Effective with July 1, 2008, the City of Zachary implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation shown in the following table.

Annual Required Contribution. City of Zachary's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Medical	Life
Normal Cost	\$ 538,513	\$ 1,161
30-year UAL amortization amount	856,462	3,751
	\$ 1,394,975	\$ 4,912
Annual required contribution (ARC)	\$ 1,394,975	\$ 4,912

Net Post-employment Benefit Obligation (Asset). The table below shows City of Zachary's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2012:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

	Medical	Life
Beginning Net OPEB Obligation (Asset) 7/1/2011	2,802,090	1,355
Annual required contribution	1,394,975	4,912
Interest on Net OPEB Obligation (Asset)	112,084	54
ARC Adjustment	<u>(162,045)</u>	<u>(78)</u>
OPEB Cost Contribution	1,345,014	4,888
Current year retiree premium	<u>(311,466)</u>	<u>(4,766)</u>
Change in Net OPEB Obligation	1,033,548	122
Ending Net OPEB Obligation (Asset) 6/30/2012	<u>\$ 3,835,638</u>	<u>\$ 1,477</u>

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

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Medical	June 30, 2012	\$1,345,013	23.16%	\$3,835,638
Life	June 30, 2012	\$4,888	97.51%	\$1,477

Funding Status and Funding Progress. In 2012, the City of Zachary made no contributions to its post employment benefits plan. The plan was not funded, has no assets, and hence has a funded ratio of zero. As of July 1, 2010, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2012 was \$14,874,872, which is defined as that portion, as determined by a particular actuarial cost method (the City of Zachary 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.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

	<u>Medical</u>	<u>Life</u>
Actuarial Accrued Liability	\$ 14,810,019	\$ 64,853
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	<u>14,810,019</u>	<u>64,853</u>
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	6,288,825	6,288,825
UAAL as a percentage of covered payroll	235.50%	1.03%

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 services by employees). Actuarially determined amounts are 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 Zachary and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Zachary and its plan members to that point. The projections 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 City of Zachary 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 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 Statement, will be used.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover rate of approximately 10%.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D.R.O.P. entry except that police and fire personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continue through Medicare to death.

Investment Return Assumption (Discount Rate). GASB Statement 45 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 projections performed by the office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the published which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

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 a percentage of the cost of the medical insurance for the retiree and dependents. The percentage is 90% of the total premium for employee only coverage and 75% of the total premium for family coverage. The rates to which these percentages apply are blended rates between active and retired. We have therefore estimated the "unblended" rates to be 130% of the blended rates for pre-Medicare eligibility and 80% of the blended rates for post-Medicare eligibility coverage. The Dental plan was included in the medical portion of this valuation but zero trend was used for the dental of the premium.

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 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 ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: OTHER POST-EMPLOYMENT BENEFITS, continued

Below is a summary of OPEB cost and contributions for the year last three fiscal calendar years.

	<u>OPEB Costs and Contributions</u>		
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
OPEB Cost	\$ 1,106,464	\$ 1,314,274	\$ 1,349,801
Contribution	-	-	-
Retiree premium	<u>201,717</u>	<u>292,807</u>	<u>316,232</u>
Total contribution and premium	<u>201,717</u>	<u>292,807</u>	<u>316,232</u>
Change in net OPEB obligation	<u>\$ 904,747</u>	<u>\$ 1,021,467</u>	<u>\$ 1,033,669</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	18.23%	22.28%	23.43%

NOTE M: OPERATING TRANSFERS

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2012 as follows:

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund:		
Component Unit - City Court	<u>\$ 40,000</u>	<u>\$ -</u>
Component Unit - City Court:		
General Fund	<u>-</u>	<u>40,000</u>
Totals	<u>\$ 40,000</u>	<u>\$ 40,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. These transfers were eliminated in preparation of the Government-Wide Financial Statements.

NOTE N: RELATED PARTY TRANSACTIONS

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2012, the City paid \$350,379 on behalf of City Court.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE N: RELATED PARTY TRANSACTIONS, continued

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2012, City Court paid \$40,000 to the City of Zachary.

NOTE O: COMPONENT UNIT – DISTRICT INDIGENT DEFENDER FUND – GOVERNMENTAL FUND REVENUES

For the year ended June 30, 2012, the major sources of governmental fund revenues were as follows:

Local Government:		
Statutory fines, forfeitures, fees, court costs, and other		<u>\$ 55,187</u>

NOTE P: CLAIMS AND JUDGEMENTS

Various claims and lawsuits are pending against the City. Although the ultimate outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial position of the City.

The City of Zachary recently underwent an audit of vehicle sales taxes collected and remitted to the various governing and taxing authorities within East Baton Rouge Parish by the State Department of Public Safety from 1996 to 2005. The audit revealed that \$635,026 was incorrectly remitted to the city, as determined by an independent identification of the jurisdictional assignment of the vehicle purchasers' residences. The City has accepted the findings of the audit and has agreed, in principal, to pay \$635,026 to the municipalities that were the rightful recipients of the taxes. The payment is to be made in semi-annual installments of \$52,919 over a period of six years. The balance due at June 30, 2012 is 317,514. The future annual payments as of June 30, 2012 are as follows:

2013	105,838
2014	<u>105,838</u>
Total	<u>\$ 211,676</u>

NOTE Q: LITIGATION

There are fourteen pending lawsuits in which the City of Zachary is currently involved. The City Attorney states that there is no significant liability on behalf of the City from these cases other than the maximum self-insured amount of \$25,000 per suit. The Chaisson suit was settled in November 2011 with an estimated exposure to the City in the amount of \$262,000. This amount is to be paid over two years. An adjustment was made to the current year financial statements recording the balance of the note payable for \$131,000 (\$131,000 current).

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE R: SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 27, 2012, the date the financial statements were available to be issued and determined that there were no events that require disclosure. No events occurring after this date have been evaluated for inclusion in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT I

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 6,702,500	\$ 7,215,000	\$ 7,531,318	\$ 316,318
License and permits	520,000	500,000	497,084	(2,916)
Intergovernmental	884,550	947,550	873,402	(74,148)
Charges for services	1,102,000	1,267,000	1,341,409	74,409
Commissions	1,310,000	1,310,000	1,215,394	(94,606)
Fines and forfeits	150,500	190,500	212,686	22,186
Proceeds from loan	-	-	100,752	100,752
Miscellaneous	275,000	515,000	372,769	(142,231)
TOTAL REVENUES	10,724,550	11,945,050	12,144,814	199,764
EXPENDITURES				
General Government	2,915,200	4,287,800	4,098,394	189,406
Court	341,900	375,900	346,855	29,045
Public Safety -				
Police	3,801,600	4,125,100	4,052,065	73,035
Fire	2,876,550	2,753,800	2,741,164	12,636
Streets	670,500	768,500	760,860	(2,360)
Sanitation	1,055,000	1,070,000	976,713	93,287
TOTAL EXPENDITURES	11,460,750	13,371,100	12,976,051	395,049
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(736,200)	(1,426,050)	(831,237)	594,813
OTHER FINANCING SOURCES (USES)				
Transfer from city court	60,000	40,000	40,000	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000	40,000	40,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(676,200)	(1,386,050)	(791,237)	594,813
FUND BALANCES - BEGINNING	8,138,772	8,138,772	8,138,772	-
FUND BALANCES - ENDING	\$ 7,462,572	\$ 6,752,722	\$ 7,347,535	\$ 594,813

CITY OF ZACHARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes - sales tax	\$ 1,175,000	\$ 1,250,000	\$ 1,358,427	\$ 108,427
Intergovernmental income	-	6,000	6,431	431
Other - interest	15,000	500	10,070	9,570
TOTAL REVENUES	<u>1,190,000</u>	<u>1,256,500</u>	<u>1,374,928</u>	<u>118,428</u>
EXPENDITURES				
Streets	<u>2,262,000</u>	<u>2,013,500</u>	<u>1,425,978</u>	<u>587,522</u>
TOTAL EXPENDITURES	<u>2,262,000</u>	<u>2,013,500</u>	<u>1,425,978</u>	<u>587,522</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,072,000)	(757,000)	(51,050)	705,950
FUND BALANCES - BEGINNING	<u>3,387,278</u>	<u>3,387,278</u>	<u>3,387,278</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,315,278</u>	<u>\$ 2,630,278</u>	<u>\$ 3,336,228</u>	<u>\$ 705,950</u>

SUPPLEMENTARY INFORMATION

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:			
Ad valorem - industry	\$ 72,500	\$ 73,864	\$ 1,364
Ad valorem - other	325,000	320,204	(4,796)
Beer tax	17,500	18,488	988
Sales tax	<u>6,800,000</u>	<u>7,118,762</u>	<u>318,762</u>
Total taxes	<u>7,215,000</u>	<u>7,531,318</u>	<u>316,318</u>
Licenses and permits:			
Occupational licenses	300,000	310,434	10,434
Building permits	100,000	92,097	(7,903)
Electrical contractor license	10,000	9,275	(725)
Electrical permits	30,000	29,116	(884)
Other contractor license	15,000	14,078	(922)
Other permits	<u>45,000</u>	<u>42,084</u>	<u>(2,916)</u>
Total licenses and permits	<u>500,000</u>	<u>497,084</u>	<u>(2,916)</u>
Intergovernmental:			
911 operations	243,000	243,882	882
City - parish street maintenance	49,050	46,600	(2,450)
Grant - police department	115,000	146,849	31,849
Grant - other	95,000	95,153	153
Transportation fund	25,500	25,510	10
Fire District #1	275,000	207,090	(67,910)
FEMA - Gustav	<u>145,000</u>	<u>108,318</u>	<u>(36,682)</u>
Total intergovernmental	<u>947,550</u>	<u>873,402</u>	<u>(74,148)</u>
Charges for services:			
Park revenue	240,000	236,718	(3,282)
Inspection fees	12,500	9,898	(2,602)
Historical Village revenue	1,000	4,546	3,546
Public works fees	-	59,489	59,489
Refuse collection charges	1,000,000	1,015,312	15,312
Refuse billing fees	<u>13,500</u>	<u>15,446</u>	<u>1,946</u>
Total charges for services	<u>1,267,000</u>	<u>1,341,409</u>	<u>74,409</u>
Commissions:			
Cable franchise fee	300,000	235,559	(64,441)
Sale of electricity	750,000	721,791	(28,209)
Sale of insurance	<u>260,000</u>	<u>258,044</u>	<u>(1,956)</u>
Total commissions	<u>1,310,000</u>	<u>1,215,394</u>	<u>(94,606)</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Fines and forfeits	<u>190,500</u>	<u>212,686</u>	<u>22,186</u>
Miscellaneous:			
Interest income	4,000	3,859	(141)
City court	42,500	-	(42,500)
Marshal's fund	45,000	53,236	8,236
Sale of equipment	130,000	8,720	(121,280)
Food pantry	-	38,040	38,040
Rental income	2,000	1,733	(267)
Photo speed enforcement	125,000	94,278	(30,722)
Fire	70,000	73,611	3,611
Police	10,000	21,153	11,153
Proceeds	-	100,752	100,752
All other	126,500	78,139	(48,361)
Total miscellaneous	<u>555,000</u>	<u>473,521</u>	<u>(81,479)</u>
GENERAL GOVERNMENT:			
Finance:			
Salaries - administrative	380,000	377,683	2,317
Sales tax collection fee	70,000	68,490	1,510
Parish tax repayment	106,000	105,838	162
Office expense	47,000	42,461	4,539
Electricity	17,000	16,611	389
Supplies and maintenance	20,000	18,312	1,688
Insurance	300,000	277,581	22,419
Payroll taxes:			-
- Medicare	5,000	4,610	390
- F.I.C.A. and unemployment tax	6,000	3,529	2,471
Worker's compensation insurance	-	602	(602)
Capital outlays	467,000	476,200	(9,200)
Master land use plan	4,500	-	4,500
Telephone	5,500	5,298	202
Uniforms	2,000	568	1,432
Contract services	75,000	57,812	17,188
Computer expense	95,000	68,029	26,971
Phone allowance	3,000	2,940	60
Assessment roll fee	7,000	6,721	279
Code book expense	1,500	-	1,500
Official journal	15,000	12,155	2,845
Dues, donations, and subscriptions	10,000	9,592	408
Miscellaneous	28,000	37,466	(9,466)
Election expense	5,000	1,223	3,777
Travel	8,000	6252	1,748

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Schools and seminars	3,000	1,039	1,961
Retirement	63,000	62,778	222
Drug testing	1,000	680	320
Attorney fees	102,500	100,779	1,721
Audit	22,000	21,562	438
Legal fees	234,000	233,466	534
Insurance consultant	6,000	5,800	200
Bank fees	5,500	4,989	531
Coke machine	500	415	85
Health insurance	50,500	50,116	384
Attorney's health insurance	2,500	2,202	298
Total	<u>2,168,000</u>	<u>2,083,779</u>	<u>84,221</u>
Beautification:			
Salary	71,000	60,388	10,612
FICA and medicare	1,250	814	436
Health insurance	17,500	17,171	329
Worker's compensation insurance	1,250	1,086	164
Miscellaneous	1,000	372	628
Beautification retirement	12,500	12,461	39
Beautification supplies	22,500	18,023	4,477
Total	<u>127,000</u>	<u>110,315</u>	<u>16,685</u>
Public Relations:			
Animal control fees	49,000	48,321	679
Mayor's prayer breakfast	5,000	4,841	159
Community center	20,000	18,170	1,830
Economic development	138,000	137,794	206
Christmas expense	10,750	10,657	93
Senior citizen center	20,500	20,372	128
Public Relations expense	116,500	115,594	906
Food pantry	44,000	43,232	768
Total	<u>403,750</u>	<u>398,981</u>	<u>4,769</u>
Mayor:			
Mayor's salary	80,000	78,218	1,782
Employee salary	63,500	62,486	1,034
FICA and medicare	2,000	1,988	12
Telephone	5,000	4,768	232
Phone allowance	-	-	-
Vehicle expenses	4,500	3,509	991
Vehicle maintenance	2,000	1,623	377
Miscellaneous	4,500	4,157	343

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Retirement	30,000	29,696	304
LMA convention	13,500	12,698	802
Travel	5,000	4,735	265
Health insurance	26,500	26,031	469
Worker's compensation insurance	250	198	52
Total	<u>236,750</u>	<u>230,087</u>	<u>6,663</u>
Commissions and Boards:			
Salaries	9,500	7,337	2,163
FICA and medicare	3,500	190	3,310
Worker's compensation insurance	250	15	235
Supplies	1,000	15	985
Miscellaneous	7,000	6,489	511
Total	<u>21,250</u>	<u>14,046</u>	<u>7,204</u>
Council:			
Salary	22,500	19,096	3,404
Miscellaneous	1,750	1,600	150
Council's salary	50,000	49,186	814
FICA and medicare	5,000	4,471	529
Travel	250	-	250
LMA convention	-	-	-
Retirement	2,500	2,041	459
Health insurance	28,000	26,008	1,992
Worker's compensation insurance	500	100	400
Total	<u>110,500</u>	<u>102,502</u>	<u>7,998</u>
Recreation:			
General recreation expenses	64,500	62,191	2,309
Office supplies	1,000	667	333
Salaries	174,000	171,076	2,924
FICA and medicare	5,000	3,930	1,070
Health insurance	36,000	35,823	177
Worker's compensation insurance	2,000	1,622	378
Computer expense	-	-	-
Vehicle fuel	7,500	6,795	705
Vehicle repairs and maintenance	10,000	863	9,137
Equipment maintenance	55,000	55,516	(516)
Retirement	30,500	30,374	126
Telephone	7,000	6,693	307
Utilities	37,500	37,429	71
Uniforms	11,000	10,935	65
Capital outlays	169,300	146,222	23,078

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Ground maintenance and building maintenance	-	445	(445)
Contract services	67,000	64,442	2,558
Supplies	46,500	46,103	397
Drug testing	-	460	(460)
Miscellaneous	28,000	46,564	(18,564)
Total	<u>751,800</u>	<u>728,160</u>	<u>23,650</u>
Inspection:			
Office	3,000	984	2,016
Salary	197,000	185,012	11,988
FICA and medicare	3,000	2,539	461
Retirement	36,500	36,012	488
Health insurance	55,000	53,005	1,995
Worker's compensation insurance	1,000	934	66
Vehicle fuel	3,000	2,661	339
Vehicle maintenance	750	646	104
Building maintenance	100	61	39
Contracts/services	1,000	-	1,000
Telephone	4,500	4,256	244
Seminar	2,500	724	1,776
Dues and subscriptions	500	-	500
Miscellaneous	15,500	14,810	690
Capital outlay	-	-	-
Total	<u>323,350</u>	<u>301,644</u>	<u>21,706</u>
Historical village:			
Salary	55,000	51,135	3,865
FICA and medicare	4,500	3,911	589
Worker's compensation insurance	1,500	1,122	378
Exhibits	3,000	2,491	509
Annisson house	22,000	21,394	606
Utilities	18,000	15,504	2,496
Miscellaneous	9,700	12,269	(2,569)
Repairs and maintenance	20,000	16,919	3,081
Schools and seminars	500	-	500
Capital outlay	5,000	-	5,000
Computer	500	-	500
Telephone	2,500	1,753	747
Office	3,200	2,392	808
Total	<u>145,400</u>	<u>128,890</u>	<u>16,510</u>
Total General Government	<u>4,287,800</u>	<u>4,098,394</u>	<u>189,406</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
COURT:			
Clerk of Court:			
Court salaries	143,500	133,020	10,480
FICA and medicare	4,500	3,150	1,350
Worker's compensation insurance	500	34	466
Court retirement	23,000	22,456	544
Health insurance	32,000	28,788	3,212
Miscellaneous	13,000	12,574	426
Court expense	-	-	-
Total	<u>216,500</u>	<u>200,022</u>	<u>16,478</u>
Judge:			
Judge's salary	9,500	8,882	618
Medicare	300	75	225
Worker's compensation insurance	250	4	246
Retirement	3,000	2,824	176
Health Insurance	23,500	23,157	343
Total	<u>36,550</u>	<u>34,942</u>	<u>1,608</u>
Probation:			
Salary	15,000	11,129	3,871
FICA and medicare	300	108	192
Worker's compensation insurance	250	57	193
Health insurance	11,000	10,757	243
Total	<u>26,550</u>	<u>22,051</u>	<u>4,499</u>
Prosecutor:			
Prosecutor salary	35,000	32,782	2,218
FICA and medicare	2,250	1,940	310
Worker's compensation insurance	250	8	242
Health insurance	34,000	33,913	87
Miscellaneous	2,000	1,474	526
Total	<u>73,500</u>	<u>70,117</u>	<u>3,383</u>
Marshall:			
Salary	15,000	14,420	580
FICA and medicare	1,550	991	559
Worker's compensation insurance	250	49	201
Health insurance	6,000	4,263	1,737
Total	<u>22,800</u>	<u>19,723</u>	<u>3,077</u>
Total Court	<u>375,900</u>	<u>346,855</u>	<u>29,045</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
PUBLIC SAFETY - POLICE:			
Salaries - police officers	2,315,000	2,243,294	71,706
Office expense	13,500	13,177	323
Chief's expense	3,000	2,266	734
Electricity	30,000	29,587	413
Vehicle expense	196,000	237,878	(41,878)
Supplies and maintenance	88,000	93,290	(5,290)
Uniforms	24,000	23,285	715
Telephone	29,000	23,906	5,094
Clothing allowance	5,600	3,200	2,400
Phone allowance	10,500	10,400	100
Reserve deputies	4,000	3,231	769
Miscellaneous	21,500	62,651	(41,151)
New hire test	4,000	3,830	170
Fica and Medicare	38,500	35,782	2,718
Retirement	552,000	551,521	479
Health insurance	350,000	336,359	13,641
Worker's compensation insurance	5,500	5,006	494
Contracts and services	25,000	23,855	1,145
Dues and subscriptions	2,500	1,105	1,395
D.A.R.E.	11,500	11,467	33
Drug testing	1,000	586	414
Computer expense	77,000	76,684	316
Travel and seminar	43,000	41,113	1,887
Professional services legal	10,000	7,037	2,963
Capital outlays	265,000	211,555	53,445
	<u>4,125,100</u>	<u>4,052,065</u>	<u>73,035</u>
Total public safety - police			
PUBLIC SAFETY - FIRE:			
Salaries	1,330,000	1,328,233	1,767
Building repairs	37,000	36,610	390
Office expense	7,500	7,429	71
Electricity	30,000	29,600	400
Vehicle expense	81,500	95,324	(13,824)
Supplies and maintenance	20,000	19,914	86
Dues and subscriptions	1,500	946	554
Uniforms	12,000	11,112	888
Personnel protection	10,000	9,024	976
Telephone	10,000	9,117	883
Phone allowance	3,800	2,695	905
Miscellaneous	15,000	14,288	712

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Retirement	244,000	243,622	378
Health insurance	206,500	206,331	169
Volunteer fireman	6,000	5,770	230
Computer expense	40,500	40,456	44
Contracts and services	10,500	10,026	474
Training	18,500	17,862	638
Physicals	11,000	10,636	364
Drug testing	750	560	190
Communication contract	30,000	30,000	-
Fica and medicare	37,000	36,639	361
Worker's compensation insurance	7,500	7,117	383
Fire prevention	10,000	9,922	78
Capital outlay	573,450	557,931	15,519
Total public safety - fire	<u>2,753,800</u>	<u>2,741,164</u>	<u>12,636</u>
STREETS:			
Salaries	211,000	208,527	2,473
Office expense	1,000	102	898
Electricity	140,000	152,433	(12,433)
Vehicle expense	73,000	67,944	5,056
Supplies and maintenance	87,000	90,795	(3,795)
D.C.I. Expense	61,500	61,397	103
Grass cutting contract	21,500	21,100	400
Telephone	7,500	7,100	400
Capital outlay	7,000	6,200	800
Fica and medicare	5,500	4,780	720
Miscellaneous	44,000	43,660	340
Uniforms	1,000	900	100
Retirement	33,500	33,105	395
Health insurance	39,000	38,293	707
Worker's compensation insurance	2,000	1,298	702
Contracts and services	23,500	23,114	386
Travel, schools and seminars	-	-	-
Drug testing	500	112	388
Total streets	<u>758,500</u>	<u>760,860</u>	<u>(2,360)</u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 1

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Sanitation:			
Landfill charges	20,000	15,544	4,456
Contracts and services	1,050,000	961,169	88,831
Total sanitation	<u>\$ 1,070,000</u>	<u>\$ 976,713</u>	<u>\$ 93,287</u>
Total General Fund	<u>\$ 13,371,100</u>	<u>\$ 12,976,051</u>	<u>\$ 456,915</u>

**CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE 2

	Actual
Water department:	
Salaries	\$ 411,943
FICA and medicare	4,595
Worker's compensation insurance	1,985
Electricity	101,663
Equipment maintenance	20,828
Vehicle maintenance	7,280
Vehicle fuel	28,746
Supplies	207,183
Telephone	12,276
Miscellaneous	20,148
Retirement	80,115
Uniforms	1,051
Health insurance	93,330
Schools and seminars	6,874
Water tower maintenance	25,958
Contracts/services	224,948
Total water department	1,248,923
Gas department:	
Salaries	\$ 363,380
FICA and medicare	5,649
Worker's compensation insurance	1,793
Electricity	7,543
Equipment maintenance	42,434
Vehicle fuel	28,748
Supplies	131,647
Purchase of gas	780,823
Telephone	8,821
Miscellaneous	20,821
Retirement	68,572
Uniforms	752
Health insurance	82,529
Schools and seminars	6,390
Contracts/services	121,110
Total gas department	1,671,010
Sewer department:	
Salaries	356,517
FICA and medicare	4,025
Worker's compensation insurance	1,797
Electricity	31,739
Equipment maintenance	12,432

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 2

	Actual
Vehicle maintenance	4,051
Vehicle fuel	28,696
Supplies	86,391
Phone allowance	480
Telephone	8,398
Uniforms	851
Miscellaneous	12,574
Retirement	69,414
Health insurance	83,063
Contracts/services	70,333
Schools and seminars	1,134
Sewer rehab	58,819
Total sewer department	831,714
General and administrative:	
Insurance	87,816
Retirement	149
Printing	54,699
Supplies	7,238
Bank fees	334
Computer expense	51,881
Audit	18,923
F.I.C.A. and unemployment taxes	2,025
Building maintenance	24,210
Miscellaneous	11,581
Inspection fees	60,278
Collection expense	275
Travel	150
Drug testing	1,228
Total general and administrative	320,587
Depreciation	949,089

**COMPONENT UNIT –
CITY COURT**

CITY OF ZACHARY, LOUISIANA **SCHEDULE 3**
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS - COMPONENT UNIT
CITY COURT
JUNE 30, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 101,218	\$ -	\$ 101,218
Capital assets, net of accumulated depreciation of \$112,813	-	172,753	172,753
Total Assets	\$ 101,218	\$ 172,753	\$ 273,971
<u>LIABILITIES</u>			
	\$ -	\$ 128,270	\$ 128,270
<u>FUND BALANCES/NET ASSETS</u>			
Unassigned	101,218	101,218	-
Total Liabilities and Fund Balance	\$ 101,218	229,488	128,270
<u>NET ASSETS</u>			
Invested in capital assets	-	-	172,753
Unrestricted	-	-	(27,052)
Total Net Assets	\$ -	\$ -	\$ 145,701

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES - COMPONENT UNIT
 CITY COURT
 FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 4

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Judiciary:			
Personal services and benefits	\$ 104,753	\$ -	\$ 104,753
Travel and professional development	11,394	-	11,394
Operating services	117,004	-	117,004
Supplies	70,514	(44,617)	25,897
Intergovernmental (to City of Zachary)	265,982	270	266,252
Depreciation	-	22,717	22,717
Total Expenditures/Expenses	<u>569,647</u>	<u>(21,630)</u>	<u>548,017</u>
<u>PROGRAMS REVENUES AND COLLECTIONS</u>			
Civil Fees	145,866	-	145,866
Criminal Fees	495,922	-	495,922
Garnishments Collected	192,247	-	192,247
Garnishments Remitted	(181,219)	-	(181,219)
Total Program Revenues	<u>652,816</u>	<u>-</u>	<u>652,816</u>
Net Program Costs	<u>83,169</u>	<u>21,630</u>	<u>104,799</u>
<u>GENERAL REVENUES</u>			
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>			
	83,169	21,630	104,799
Transfers to General Fund	(40,000)	-	(40,000)
<u>FUND BALANCE/NET ASSETS:</u>			
Beginning of the Year	<u>58,048</u>	<u>22,854</u>	<u>80,902</u>
End of the Year	<u>\$ 101,217</u>	<u>\$ 44,484</u>	<u>\$ 145,701</u>

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION OF CITY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE 5

	<u>Gross Compensation during the year ended 6/30/12</u>
David Amrhein, Mayor	\$ 95,667
<u>Council Members (Term):</u>	
John Coghlan	9,837
Brandon Noel	9,837
Francis Nezianya	9,837
Tommy Womack	9,837
Daniel D. Wallis, Jr.	9,837
Health Insurance	<u>3,712</u>
	<u>\$ 148,564</u>

SCHEDULE 6

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Program</u>	<u>CFDA#</u>	<u>Grant Period</u>	<u>Total Expenditures</u>
U.S. Environmental Protection Agency Pass through LA DEQ, Capitalization Grants for Clean Water State Revolving Fund Loan # 221450-01	66.458	2/1/12-2/1/14 *	998,291
Total Environmental Protection Agency			998,291
Federal Emergency Management Agency Disaster Assistance	97.109	7/1/11-6/30/12	108,318
Total Federal Emergency Management Agency			108,318
Total Expenditures of Federal Awards			\$ 1,106,609

* Major Program

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Zachary, Louisiana and is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2012**

SCHEDULE 7

Name of Insurer	Expiration Date	Type of Coverage	Coverage Limits
National Fire Insurance Co.	11/1/2012	Property	\$ 7,066,340
National Fire Insurance Co.	11/1/2012	Contractors Equipment	\$ 404,166
National Fire Insurance Co.	11/1/2012	Equipment breakdown	
		Spoilage	\$ 25,000
		Additional Pollution expense	\$ 100,000
		Ammonia contamination	\$ 25,000
The Travelor's Indemnity Co.	11/1/2012	General liability building	\$ 2,000,000
The Travelor's Indemnity Co.	11/1/2012	Employee practices liability	\$ 2,000,000
The Travelor's Indemnity Co.	11/1/2012	Auto liability & physical damage	\$ 2,000,000
The Travelor's Indemnity Co.	11/1/2012	Law Enforcement liability	\$ 2,000,000
The Travelor's Indemnity Co.	11/1/2012	Management liability	\$ 2,000,000
The Travelor's Indemnity Co.	11/1/2012	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2013	Workers compensation	Statutory limits

PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF UTILITY STATISTICS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

SCHEDULE 8

	<u>2012</u>		<u>2011</u>
Gas customer data are as follows:			
Gas sales	\$ 2,030,822	\$	2,219,294
Gas purchased	\$ 780,823	\$	1,136,269
MCF gas sold	177,206		237,895
Number of customers at year end	4,119		4,059
MCF gas purchased	211,495		242,813
MCF gas unaccounted for	34,289		4,918
Average monthly billing per customer	\$ 41.09	\$	45.57
 Water customer data are as follows:			
Water sales	\$ 2,050,070	\$	1,749,317
Thousands of gallons of water sold	754,600		826,683
Number of customers at year end	7,241		7,136
Average monthly billing per customer	\$ 23.60	\$	20.29
 Sewer customer data are as follows:			
Sewer sales	\$ 614,161	\$	537,762
Number of customers at year end	4,582		4,512
Average monthly billing per customer	\$ 11.17	\$	9.94

OTHER REPORTS

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

SCHEDULE 9

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana (the City) as of and for the year ended June 30, 2012, which collectively comprise the City of Zachary, Louisiana's basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

**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 (continued)**

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2012-1, 2012-2, 2012-3, and 2012-4). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's and the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-5 and 2012-6.

City of Zachary, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Zachary, Louisiana's response and, accordingly, we express no opinion on it.

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

Baxley & Associates, LLC

Zachary, Louisiana
November 27, 2012

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

SCHEDULE 10

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A- 133

Compliance

We have audited City of Zachary, Louisiana'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 City of Zachary, Louisiana's major federal programs for the year ended June 30, 2012. City of Zachary, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Zachary, Louisiana's management. Our responsibility is to express an opinion on City of Zachary, Louisiana's compliance based on our audit.

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 City of Zachary, Louisiana'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. Our audit does not provide a legal determination on City of Zachary, Louisiana's compliance with those requirements.

As described in items 2012-7 and 2012-8 in the accompanying schedule of findings and questioned costs, City of Zachary, Louisiana did not comply with requirements regarding bonds payable and flow of funds that are applicable to the Clean Water State Revolving Fund. Compliance with such requirements is necessary, in our opinion, for City of Zachary, Louisiana, to comply with the requirements applicable to that program.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

In our opinion, except for the noncompliance described in the previous paragraph, City of Zachary, Louisiana complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of City of Zachary, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Zachary, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Zachary, Louisiana'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 a 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baxley & Associates, LLC

Plaquemine, Louisiana
November 27, 2012

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are not required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s):</i>	<i>Name of Federal Program or Cluster:</i>
66.458	U.S. Environmental Protection Agency

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2012-1 CITY COURT

Condition

In converting City Court from cash basis to accrual basis, the client failed to record software at total cost and the offsetting liability.

Criteria

Capital assets should be recorded at cost. Costs include payments made in subsequent years. Capital asset cost should be properly reflected on the depreciation schedule.

Effect

The balance sheet assets and liabilities were understated.

Recommendation

Management should review year end financials and worksheets such as depreciation schedule for accuracy.

Management's Response

Management concurs with this comment.

2012-2 CONVERSION

Condition

The utility department implemented the City's new accounting system in November, 2010. The customer support group for the new accounting system assisted the City with the transfer of customer information into the new system. However, sample testing showed that the setup date for customers who had existing service prior to conversion were incorrect. Also, the customer deposit dates for customers who made deposits prior to conversion were incorrect. Internal controls should have been in place to ensure that the information was transferred correctly. This is a repeat finding.

Criteria

The customer information prior to and after conversion should be consistent.

Effect

Customer information in the new system is incorrect.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-2 CONVERSION (CONTINUED)

Recommendation

The City should contact the technical support group to determine if the dates can be corrected.

Management's Response

City Administration has requested that the customer support group of the accounting system correct the conversion data that was converted incorrectly during the prior administration. The cost of correcting this information is cost prohibitive and this administration has chosen not to make the change. The original data will continue to be kept in hard copy form.

2012-3 DUAL SIGNATURES

Condition

The City's policy is to have dual signatures on all disbursements. We noted 7 checks written in December 2011 that were signed by management, but were not signed by a board member.

Criteria

All disbursement checks should have dual signatures.

Effect

The City is not in compliance with company policies and procedures.

Recommendation

The City should ensure that the Board reviews and signs all disbursement checks.

Management's Response

The City Administration will make sure that all checks have dual signatures required as per City policy. The Bank did not release the funds on the checks until they had contacted the City and then been given approval to do so.

2012-4 LOAN BALANCE

Condition

The City's balance on a utility fund note payable at June 30, 2012 was \$14,800 higher than the balance per the bank.

Criteria

Notes payable should be reconciled to the bank.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-4 LOAN BALANCE (CONTINUED)

Effect

Long-term liabilities were not correctly stated at June 30, 2012.

Recommendation

The City should reconcile payable balances to the bank and correct any variances in a timely manner.

Management's Response

Numerous requests have been made to Hancock Bank to correct this balance discrepancy on the Bank's monthly report. The Administration has the documentation to prove that the reported liability is correct even though we do not have the documentation from the Bank to support the assertion. We will again make every effort to have Hancock Bank correct their paperwork.

2012-5 BOND REQUIREMENTS – FLOW OF FUNDS

Condition

Depreciation & Contingency Fund

The Depreciation and contingency fund bank account was not named correctly and was accounted for in the General Fund instead of the Utility Fund.

Debt Service Fund Account

The monthly transfers were not made into the Debt Service Fund account in accordance with the bond ordinance.

Construction Account

The Construction Account had not been established to record all disbursements and receipts from the bond. The proceeds and disbursements on the federal loan were accounted for in the utility operating bank account.

Criteria

According to the bond resolution, the City should establish the bank accounts in accordance with the bond ordinance. The proceeds from the loan and the disbursements to vendors should be accounted for separately from the City's operating funds. The City should transfer monthly 1/8th of the next interest payment and 1/12th of the next principal payment to the Bond Debt Service account monthly.

Effect

Bond accounts were not set up as stipulated and transfers were not properly made. The City is in violation with the requirements of the general bond resolution.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-5 BOND REQUIREMENTS – FLOW OF FUNDS (CONTINUED)

Recommendation

The District should set up service reserve accounts as stipulated in the bond resolution. The District should make monthly transfers in accordance with bond requirements.

Management's Response

Based on Bond Attorney recommendations, accounts were set up and accounting for the Bond flow of funds administered. Changes have now been made to correct the procedure of handling the funds as per the Auditor's request.

2012-6 BONDS PAYABLE

Condition

The bond proceeds were recorded in revenue as opposed to bonds payable.

Criteria

All proceeds received on the federal loan should be recorded to bonds payable.

Effect

Liabilities were understated at June 30, 2012.

Recommendation

The City should record all proceeds on the loan to bonds payable.

Management's Response

Bonds payable have been set up and are being properly followed.

C. FINDINGS – FEDERAL AWARDS

2012-7 BOND REQUIREMENTS – FLOW OF FUNDS

Condition

Depreciation & Contingency Fund

The Depreciation and contingency fund bank account was not named correctly and was accounted for in the General Fund instead of the Utility Fund.

Debt Service Fund Account

The monthly transfers were not made into the Debt Service Fund account in accordance with the bond ordinance.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-7 BOND REQUIREMENTS – FLOW OF FUNDS (CONTINUED)

Construction Account

The Construction Account had not been established to record all disbursements and receipts from the bond. The proceeds and disbursements on the federal loan were accounted for in the utility operating bank account.

Criteria

According to the bond resolution, the City should establish the bank accounts in accordance with the bond ordinance. The proceeds from the loan and the disbursements to vendors should be accounted for separately from the City's operating funds. The City should transfer monthly 1/6th of the next interest payment and 1/12th of the next principal payment to the Bond Debt Service account monthly.

Effect

Bond accounts were not set up as stipulated and transfers were not properly made. The City is in violation with the requirements of the general bond resolution.

Management's Response

Based on Bond Attorney recommendations, accounts were set up and accounting for the Bond flow of funds administered. Changes have now been made to correct the procedure of handling the funds as per the Auditor's request.

2012-8 BONDS PAYABLE

Condition

The bond proceeds were recorded in revenue as opposed to bonds payable.

Criteria

All proceeds received on the federal loan should be recorded to bonds payable.

Effect

Liabilities were understated at June 30, 2012.

Recommendation

The City should record all proceeds on the loan to bonds payable.

Management's Response

Bonds payable have been set up and are being properly followed.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2011-1 CONVERSION

Condition

The utility department implemented the City's new accounting system in November, 2010. The customer support group for the new accounting system assisted the City with the transfer of customer information into the new system. However, sample testing showed that the setup date for customers who had existing service prior to conversion were incorrect. Also, the customer deposit dates for customers who made deposits prior to conversion were incorrect. Internal controls should have been in place to ensure that the information was transferred correctly.

Recommendation

The City should contact the technical support group to determine if the dates can be corrected.

Current Status:

The above condition still exists at June 30, 2012.