

REPORT  
CITY OF HAMMOND,  
LOUISIANA

JUNE 30, 2006

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 2/7/07

CITY OF HAMMOND, LOUISIANA

JUNE 30, 2006

TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT .....   | 1 - 2       |
| MANAGEMENT'S DISCUSSION AND ANALYSIS .....   | 3 - 12      |
| BASIC FINANCIAL STATEMENTS   |             |
| Government-wide Financial Statements:  |             |
| Statement of Net Assets .....  | 13          |
| Statement of Activities .....  | 14          |
| Fund Financial Statements:   |             |
| Balance Sheet – Governmental Funds .....   | 15          |
| Reconciliation of the Balance Sheet to the<br>Statement of Net Assets – Governmental Funds .....   | 16          |
| Statement of Revenues, Expenditures, and<br>Changes in Fund Balances – Governmental Funds .....  | 17          |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances<br>to the Statement of Activities – Governmental Funds ..... | 18          |
| Statement of Net Assets – Proprietary Funds .....  | 19          |
| Statement of Revenues, Expenses and Changes<br>in Fund Net Assets – Proprietary Funds .....  | 20          |
| Statement of Cash Flows – Proprietary Funds .....  | 21 - 22     |
| Component Unit Financial Statements:   |             |
| Statement of Fiduciary Net Assets – Fiduciary Funds .....  | 23          |
| Notes to Financial Statements .....  | 24 - 57     |

CITY OF HAMMOND, LOUISIANA  
JUNE 30, 2006

TABLE OF CONTENTS (Continued)

|  | <u>PAGE</u> |
|--|-------------|
| <b>REQUIRED SUPPLEMENTARY INFORMATION:</b>   |             |
| <b>Budget Comparison Schedules</b>   |             |
| General Fund .....   | 58          |
| Sales Tax Fund .....   | 59          |
| <b>OTHER SUPPLEMENTARY INFORMATION:</b>  |             |
| Compensation Paid Council Members .....  | 60          |
| Report on Internal Control<br>Over Financial Reporting and on<br>Compliance and Other Matters<br>Based on an Audit of Financial Statements<br>Performed in Accordance with<br><i>Government Auditing Standards</i> ..... | 61 - 62     |
| Report on Compliance With Requirements<br>Applicable to Each Major Program and<br>Internal Control Over Compliance in Accordance<br>With OMB Circular A- 133.....  | 63 - 64     |
| Schedule of Expenditures of Federal Awards .....   | 65 - 66     |
| Notes to Schedule of Expenditures of Federal Awards.....   | 67          |
| Schedule of Findings and Questioned Costs .....  | 68          |



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112  
(504) 586-8866  
FAX (504) 525-5888  
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.  
WILLIAM G. STAMM, C.P.A.  
CLIFFORD J. GIFFIN, JR., C.P.A.  
DAVID A. BURGARD, C.P.A.  
LINDSAY J. CALUB, C.P.A., L.L.C.  
GUY L. DUPLANTIER, C.P.A.  
MICHELLE H. CUNNINGHAM, C.P.A.  
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.  
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR., C.P.A.  
(1919-1985)  
FELIX J. HRAPMANN, JR., C.P.A.  
(1919-1990)  
WILLIAM R. HOGAN, JR., C.P.A.  
(1920-1996)  
JAMES MAHER, JR., C.P.A.  
(1921-1999)

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LA C.P.A.'S

## INDEPENDENT AUDITOR'S REPORT

October 13, 2006

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise City of Hammond, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of City of Hammond, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget, 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 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, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond as of June 30, 2006, 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.

The Management's Discussion and Analysis on pages 3 to 13, the other required supplementary information on pages 59 to 60 and other supplementary information on page 61 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006 on our consideration of the City of Hammond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- The net assets of the City of Hammond's Governmental Funds exceeded the liabilities at the close of the most recent year by \$15,807,776. Of this amount, \$13,384,507 (unrestricted net assets) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's Governmental Funds unrestricted net assets increased \$2,207,276 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,807,776 an increase of \$2,287,531, in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,348,254 or 13% of the general fund expenditures.
- The City's total liabilities in the Statement of Net Assets at the end of the current fiscal year were \$24,087,168 in comparison to \$22,749,737 of the prior year.
- The City is nearing the completion of the comprehensive wastewater treatment project. The Wetlands Assimilation Project is the construction of a Lift Station, Force Main, Treatment Facility, Effluent Distribution System, and an Aerated Lagoon system. This project will consolidate the North and South Sewer Treatment facilities. With this new system, treated and disinfected wastewater will be discharged into the Joyce Wildlife Management Area. As a result of this construction the City will recapture 60 acres of land with the closure of the North Plant.
- The City received the proceeds from the sale of \$5,000,000 of sales tax bonds to provide for various capital improvement projects throughout the five districts.
- The City provided a 12% pay raise for all full time city personnel.
- The City of Hammond collected \$16,548,726 in sales tax this is an increase of \$4,198,536 in comparison of the prior fiscal period. This also is an increase of \$4,228,726 over the budgeted amount for the 2005-2006 fiscal period. The increase is largely a result of the impact of sales and population growth from Katrina. The City projected sales tax collection to be \$15,600,000, a decrease of 5.7%.
- The City of Hammond will receive \$15,000,000 from the issuance of Sales Tax Series 2006 Bonds. The proceeds will provide the funds needed for a major infrastructure project to assist in the development of the Hammond Square Shopping Center. This extensive retail development will generate substantial sales tax revenue for the City. The projected completion for the project is during the year 2008.

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

- The City of Hammond reported approximately 5.4 million in infrastructure built prior to the year ending June 2002.
- The City of Hammond received FEMA reimbursements for Hurricane Katrina related expenses. The largest portion of the funds received approximately \$1.1 million were for debris cleanup. The remaining funds (approximately \$500,000) were for repair and other expenses.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The government-wide financial statements can be found on pages 13 - 14 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues; expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a variety of funds, which are grouped for management purposes into special revenue; debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Fund used to account for activities of the Sales Tax Fund, Airport Capital Projects Fund and Sales Tax 2005 Bond Construction Fund, all of which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 15 – 17 of the report.

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**Proprietary funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability and worker's compensation self-insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

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

Proprietary fund financial statements can be found on pages 19 - 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 57 of this report.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, net assets exceeded liabilities by \$40,805,394 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 76% reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For more detailed information refer to page 14, Statement of Net Assets.

An additional portion of the City of Hammond's net assets 4% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 20% may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

At the end of the current fiscal year, the City of Hammond is able to report positive balances in net assets in governmental activities, business-type activities and component units.

Net Assets. The following table reflects condensed information on the City's net assets:

| City of Hammond, Louisiana<br>Net Assets            |   |   |  |  |                      |                      |
|---|---|---|--|--|----------------------|----------------------|
|   | Governmental<br>Activities<br><u>2006</u> | Governmental<br>Activities<br><u>2005</u> | Business-Type<br>Activities<br><u>2006</u> | Business-Type<br>Activities<br><u>2005</u> | Total<br><u>2006</u> | Total<br><u>2005</u> |
| <b>ASSETS:</b>                                      |   |   |  |  |                      |                      |
| Current and other assets                            | 20,446,927                                | 17,001,090                                | 3,786,106                                  | 9,030,904                                  | 24,233,033           | 26,031,994           |
| Land  | 3,417,208                                 | 3,417,208                                 | 158,007                                    | 158,047                                    | 3,575,215            | 3,575,255            |
| Construction in progress                            | 1,533,979                                 | 1,840,013                                 | 9,000,872                                  | 1,507,634                                  | 10,534,851           | 3,347,647            |
| Capital assets (net of<br>accumulated depreciation) | 28,112,185                                | 19,571,041                                | 10,174,638                                 | 11,029,194                                 | 38,286,823           | 30,600,235           |
| TOTAL ASSETS  | <u>53,510,299</u>                         | <u>41,829,352</u>                         | <u>23,119,623</u>                          | <u>21,725,779</u>                          | <u>76,629,922</u>    | <u>63,555,131</u>    |
| <b>LIABILITIES:</b>                                 |   |   |  |  |                      |                      |
| Other liabilities                                   | 4,904,494                                 | 3,180,949                                 | 2,126,307                                  | 1,794,276                                  | 7,030,801            | 4,975,225            |
| Noncurrent liabilities                              | 14,850,774                                | 15,143,852                                | 2,205,593                                  | 2,630,660                                  | 17,056,367           | 17,774,512           |
| TOTAL LIABILITIES                                   | <u>19,755,268</u>                         | <u>18,324,801</u>                         | <u>4,331,900</u>                           | <u>4,424,936</u>                           | <u>24,087,168</u>    | <u>22,749,737</u>    |
| <b>NET ASSETS:</b>                                  |   |   |  |  |                      |                      |
| Invested in capital assets,<br>net of related debt  | 23,121,026                                | 15,963,262                                | 16,943,517                                 | 6,646,634                                  | 40,064,543           | 22,609,896           |
| Restricted for:                                     |   |   |  |  |                      |                      |
| Debt service  | 1,678,544                                 | 1,527,228                                 | 287,675                                    | 406,388                                    | 1,966,219            | 1,933,616            |
| Capital Projects                                    | 373,430                                   | 965,732                                   | --   | 3,003,241                                  | 373,430              | 3,968,973            |
| Unrestricted  | 8,582,031                                 | 5,048,329                                 | 1,556,531                                  | 7,244,580                                  | 10,138,562           | 12,292,909           |
| TOTAL NET ASSETS                                    | <u>33,755,031</u>                         | <u>23,504,551</u>                         | <u>18,787,723</u>                          | <u>17,300,843</u>                          | <u>52,542,754</u>    | <u>40,805,394</u>    |

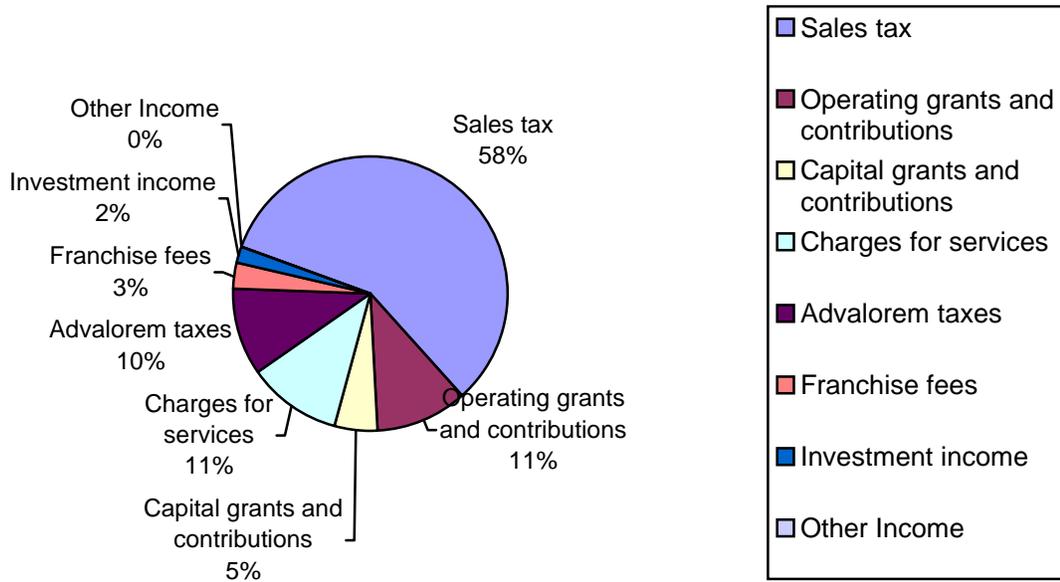
Changes in Net Assets. The City's total revenues and expenses for governmental and business-type activities are reflected in the table of condensed information:

CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006  
City of Hammond, Louisiana  
Changes in Net Assets

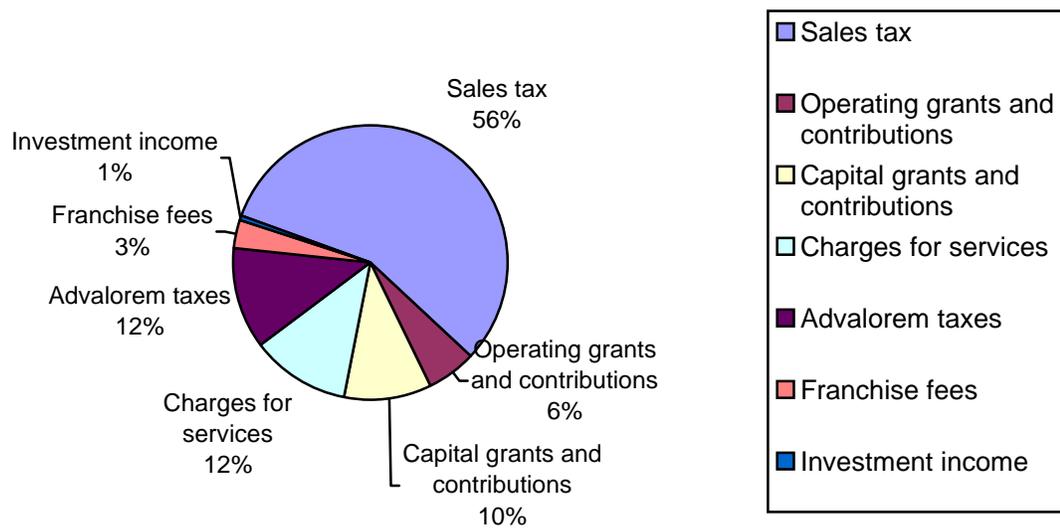
|  | Governmental Activities |                   | Business-Type Activities |                   | Total             |                   |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | 2006                    | 2005              | 2006                     | 2005              | 2006              | 2005              |
| <b>Revenue:</b>  |                         |                   |                          |                   |                   |                   |
| <b>Program revenues:</b>                                   |                         |                   |                          |                   |                   |                   |
| Charges for services                                       | 3,162,862               | 2,804,028         | 3,391,590                | 3,973,879         | 6,554,452         | 6,777,907         |
| Operating grants and contributions                         | 3,154,382               | 1,388,586         | -                        | -                 | 3,154,382         | 1,388,586         |
| Capital grants and contributions                           | 1,410,874               | 1,827,398         | 1,629,972                | 399,276           | 3,040,846         | 2,226,674         |
| <b>General revenues:</b>                                   |                         |                   |                          |                   |                   |                   |
| Sales tax  | 16,548,726              | 12,350,190        | -                        | -                 | 16,548,726        | 12,350,190        |
| Advalorem taxes  | 2,984,361               | 2,915,890         | -                        | -                 | 2,984,361         | 2,915,890         |
| Franchise fees   | 815,652                 | 723,905           | -                        | -                 | 815,652           | 723,905           |
| Investment earnings  | 560,178                 | 160,819           | 232,919                  | 159,824           | 793,097           | 320,643           |
| Premium on long-term debt issued                           | -                       | 64,535            | -                        | -                 | -                 | 64,535            |
| Transfers  | (23,701)                | (31,854)          | 23,701                   | 31,854            | -                 | -                 |
| Gain on disposal of asset                                  | 26,340                  | -                 | -                        | -                 | 26,340            | -                 |
| <b>Total revenues</b>                                      | <b>28,639,674</b>       | <b>22,203,497</b> | <b>5,278,182</b>         | <b>4,564,833</b>  | <b>33,917,856</b> | <b>26,768,330</b> |
| <b>Expenses:</b>   |                         |                   |                          |                   |                   |                   |
| General government   | 5,273,455               | 3,477,845         | -                        | -                 | 5,273,455         | 3,477,845         |
| Economic development                                       | 76,330                  | 109,536           | -                        | -                 | 76,330            | 109,536           |
| Urban redevelopment  | 50,749                  | 89,969            | -                        | -                 | 50,749            | 89,969            |
| Public safety - police/fire                                | 11,509,189              | 10,204,929        | -                        | -                 | 11,509,189        | 10,204,929        |
| Public works   | 3,526,597               | 2,829,521         | -                        | -                 | 3,526,597         | 2,829,521         |
| Health and sanitation                                      | 643,344                 | 677,657           | -                        | -                 | 643,344           | 677,657           |
| Culture and recreation                                     | 854,258                 | 646,826           | -                        | -                 | 854,258           | 646,826           |
| Airport  | 464,546                 | 284,502           | -                        | -                 | 464,546           | 284,502           |
| Cemeteries and municipal grounds                           | 838,848                 | 768,176           | -                        | -                 | 838,848           | 768,176           |
| Water and sewer operating expenses                         | -                       | -                 | 3,791,303                | 3,619,287         | 3,791,303         | 3,619,287         |
| Bond issuance costs  | -                       | 17,229            | -                        | -                 | -                 | 17,229            |
| Paying agent fees on long-term debt                        | 48,681                  | 2,304             | -                        | -                 | 48,681            | 2,304             |
| Interest on long-term debt                                 | 541,706                 | 369,833           | -                        | -                 | 541,706           | 369,833           |
| Loss on disposal of capital assets                         | -                       | 4,880             | -                        | -                 | -                 | 4,880             |
|  | <b>23,827,703</b>       | <b>19,483,207</b> | <b>3,791,303</b>         | <b>3,619,287</b>  | <b>27,619,006</b> | <b>23,102,494</b> |
| <b>Increase in net assets</b>                              | <b>4,811,971</b>        | <b>2,720,290</b>  | <b>1,486,879</b>         | <b>945,546</b>    | <b>6,298,850</b>  | <b>3,665,836</b>  |
| <b>Net assets - Beginning of year as previously stated</b> | <b>23,504,551</b>       | <b>-</b>          | <b>17,300,844</b>        | <b>-</b>          | <b>40,805,395</b> | <b>-</b>          |
| <b>Prior period adjustment</b>                             | <b>5,438,509</b>        | <b>-</b>          | <b>-</b>                 | <b>-</b>          | <b>5,438,509</b>  | <b>-</b>          |
| <b>Net assets - beginning of year restated</b>             | <b>28,943,060</b>       | <b>20,784,261</b> | <b>17,300,844</b>        | <b>16,355,297</b> | <b>46,243,904</b> | <b>37,139,558</b> |
| <b>Net assets - End of year</b>                            | <b>33,755,031</b>       | <b>23,504,551</b> | <b>18,787,723</b>        | <b>17,300,843</b> | <b>52,542,754</b> | <b>40,805,394</b> |

CITY OF HAMMOND, LOUISIANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**Revenues by Source – Governmental Activities**  
**June 30, 2006**



**Revenues by Source – Governmental Activities**  
**June 30, 2005**



CITY OF HAMMOND, LOUISIANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

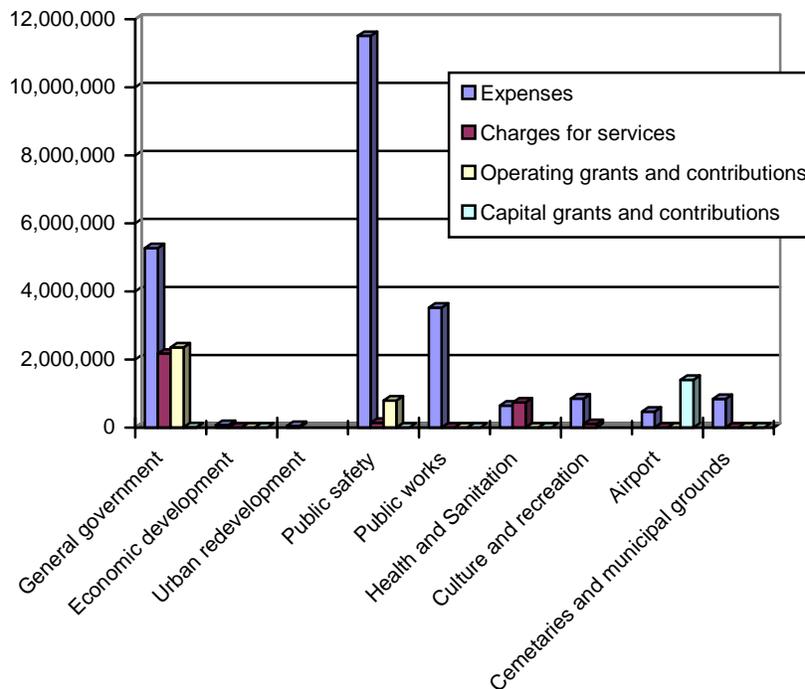
The following chart reflects the City's revenues for the years ended June 30, 2006 and June 30, 2005:

| <u>Revenues</u>                    | <u>June 30, 2006</u>     | <u>June 30, 2005</u>     | <u>Difference</u>       |
|------------------------------------|--------------------------|--------------------------|-------------------------|
| Sales Tax                          | 16,548,726               | 12,350,190               | 4,198,536               |
| Capital Grants and Contributions   | 1,410,874                | 1,827,398                | (416,524)               |
| Ad valorem Taxes                   | 2,984,361                | 2,915,890                | 68,471                  |
| Charges for Services               | 3,162,862                | 2,804,028                | 358,834                 |
| Operating Grants and Contributions | 3,154,382                | 1,388,586                | 1,765,796               |
| Franchise Fees                     | 815,652                  | 723,905                  | 91,747                  |
| Investment Income                  | 560,178                  | 160,819                  | 399,359                 |
| Other income                       | 26,340                   | 32,681                   | (6,341)                 |
| <b>Total Revenues</b>              | <b><u>28,663,375</u></b> | <b><u>22,203,497</u></b> | <b><u>6,459,878</u></b> |

The cost of all governmental activities the year ended June 30, 2006 was \$23,827,703. The Statement of Activities for the year ended June 30, 2006 on page 15 shows that those who use the services financed \$3,162,862 and \$4,565,256 was financed by grants and contributions with the City's general revenues financing \$20,911,556.

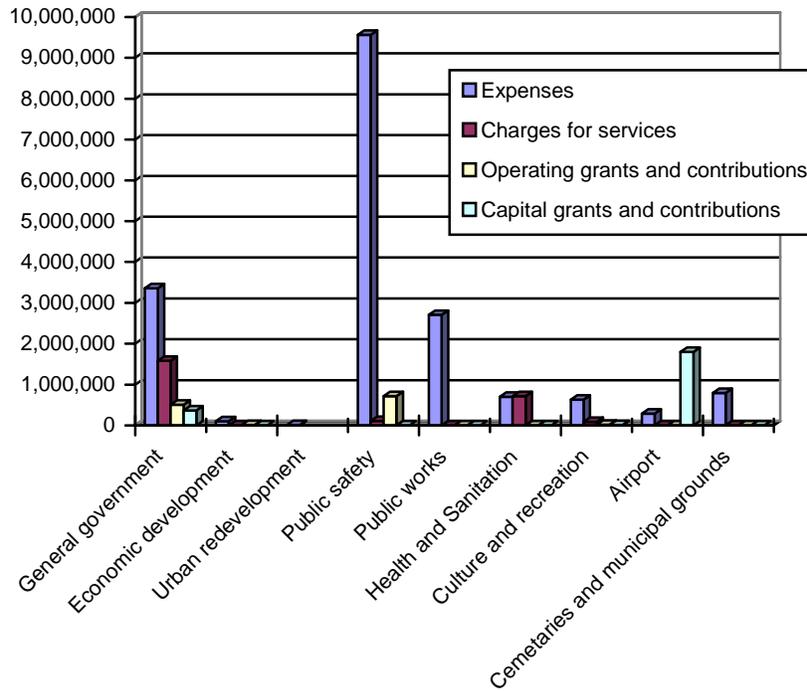
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

**Expenses and Program Revenue – Governmental Activities**  
**For the Year Ended June 30, 2006**



CITY OF HAMMOND, LOUISIANA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**Expenses and Program Revenue – Governmental Activities**  
**For the Year Ended June 30, 2005**



CITY OF HAMMOND, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

**Request for Information**

Questions concerning any financial information provided or request for additional financial information should be addressed to Larry Francis, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 542-3404.

**CITY OF HAMMOND  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

|   | Primary Government         |                             |                      | Component Units             |  |
|---|----------------------------|-----------------------------|----------------------|-----------------------------|--|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                | City<br>Court of<br>Hammond | Marshal of<br>City Court of<br>Hammond |
| <b>ASSETS:</b>  |                            |                             |                      |                             |  |
| Cash and cash equivalents   | \$ 8,289,448               | \$ 1,817,620                | \$ 10,107,068        | \$ 216,925                  | \$ 321,243                             |
| Investments at cost   | -                          | -                           | -                    | -                           | 431,520                                |
| Receivables:  |                            |                             |                      |                             |  |
| Accounts  | 20,900                     | -                           | 20,900               | 3,435                       | -                                      |
| Customers (net of allowance for<br>doubtful accounts of \$50,000)         | -                          | 716,031                     | 716,031              | -                           | -                                      |
| Franchise taxes receivable  | 177,434                    | -                           | 177,434              | -                           | -                                      |
| Notes receivable - (net of allowance<br>for doubtful accounts of \$9,329) | 301,104                    | -                           | 301,104              | -                           | -                                      |
| Other receivable  | 79,844                     | 4,672                       | 84,516               | -                           | 732                                    |
| Prepaid insurance   | 597,137                    | 267,110                     | 864,247              | 7,945                       | -                                      |
| Prepaid rent  | -                          | -                           | -                    | -                           | 3,197                                  |
| Due from other governments  | 5,253,092                  | -                           | 5,253,092            | 22,209                      | 30,746                                 |
| Restricted assets:  |                            |                             |                      |                             |  |
| Cash and cash equivalents   | 5,678,776                  | 958,845                     | 6,637,621            | -                           | -                                      |
| Bond issuance costs, net  | 49,192                     | 21,828                      | 71,020               | -                           | -                                      |
| Internal balances   | -                          | -                           | -                    | -                           | 66,672                                 |
| Land  | 3,417,208                  | 158,007                     | 3,575,215            | -                           | -                                      |
| Construction in Progress  | 1,533,979                  | 9,000,872                   | 10,534,851           | -                           | -                                      |
| Capital assets - (net of<br>accumulated depreciation)                     | 28,112,185                 | 10,174,638                  | 38,286,823           | 4,105                       | 129,441                                |
| <b>TOTAL ASSETS</b>   | <b>53,510,299</b>          | <b>23,119,623</b>           | <b>76,629,922</b>    | <b>254,619</b>              | <b>983,551</b>                         |
| <b>LIABILITIES:</b>   |                            |                             |                      |                             |  |
| Accounts payable  | 2,062,858                  | 425,903                     | 2,488,761            | 7,618                       | 28,819                                 |
| Payroll taxes payable   | 125,124                    | -                           | 125,124              | -                           | -                                      |
| Salaries payable  | 107,606                    | -                           | 107,606              | 33,940                      | -                                      |
| Claims payable  | 862,963                    | -                           | 862,963              | -                           | -                                      |
| Claims incurred but not reported  | 75,021                     | -                           | 75,021               | -                           | -                                      |
| Due to other governments  | -                          | 449,897                     | 449,897              | -                           | -                                      |
| Interest payable  | 50,810                     | -                           | 50,810               | -                           | -                                      |
| Retainage payable   | -                          | 302,136                     | 302,136              | -                           | -                                      |
| Internal balances   | -                          | -                           | -                    | 2,210                       | 37,049                                 |
| Unearned grant income   | 82,182                     | -                           | 82,182               | -                           | -                                      |
| Other payable   | 259,000                    | -                           | 259,000              | -                           | -                                      |
| Payable from restricted assets:   |                            |                             |                      |                             |  |
| Accounts payable  | 415,253                    | -                           | 415,253              | -                           | -                                      |
| Retainage payable   | 83,677                     | -                           | 83,677               | -                           | -                                      |
| Customers' deposits   | -                          | 503,371                     | 503,371              | -                           | -                                      |
| Bonds payable - current portion   | 780,000                    | 445,000                     | 1,225,000            | -                           | -                                      |
| Noncurrent liabilities:   |                            |                             |                      |                             |  |
| Bonds payable   | 12,330,000                 | 1,945,000                   | 14,275,000           | -                           | -                                      |
| Accumulated leave payable   | 2,520,774                  | 260,593                     | 2,781,367            | -                           | 48,546                                 |
| <b>TOTAL LIABILITIES</b>  | <b>19,755,268</b>          | <b>4,331,900</b>            | <b>24,087,168</b>    | <b>43,768</b>               | <b>114,414</b>                         |
| <b>NET ASSETS</b>   |                            |                             |                      |                             |  |
| Invested in capital assets, net of related debt                           | 23,121,026                 | 16,943,517                  | 40,064,543           | 4,105                       | 129,441                                |
| Restricted for:   |                            |                             |                      |                             |  |
| Debt service  | 1,678,544                  | 287,675                     | 1,966,219            | -                           | -                                      |
| Capital projects  | 373,430                    | -                           | 373,430              | -                           | -                                      |
| Unrestricted  | 8,582,031                  | 1,556,531                   | 10,138,562           | 206,746                     | 739,696                                |
| <b>TOTAL NET ASSETS</b>   | <b>\$ 33,755,031</b>       | <b>\$ 18,787,723</b>        | <b>\$ 52,542,754</b> | <b>\$ 210,851</b>           | <b>\$ 869,137</b>                      |

See accompanying notes.

**CITY OF HAMMOND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

| Functions/Programs  | Expenses          | Program Revenue      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                     | Component Units |
|---|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|-----------------|
|   |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          | Total               |                 |
|   |                   |                      |                                    |                                  | Governmental Activities                         | Business-type Activities |                     |                 |
| <b>Primary government</b>                                   |                   |                      |                                    |                                  |   |                          |                     |                 |
| <b>Governmental activities:</b>                             |                   |                      |                                    |                                  |   |                          |                     |                 |
| General government  | \$ 5,273,455      | \$ 2,174,091         | \$ 2,357,433                       | \$ 8,100                         | \$ (733,831)                                    | \$ -                     | \$ (733,831)        |                 |
| Economic development  | 76,330            | -                    | 3,500                              | -                                | (72,830)  | -                        | (72,830)            |                 |
| Urban redevelopment   | 50,749            | -                    | -                                  | -                                | (50,749)  | -                        | (50,749)            |                 |
| Public safety - police                                      | 7,217,803         | 139,601              | 721,545                            | -                                | (6,356,657)                                     | -                        | (6,356,657)         |                 |
| Public safety - fire  | 4,291,386         | -                    | 71,904                             | -                                | (4,219,482)                                     | -                        | (4,219,482)         |                 |
| Public works  | 3,526,597         | -                    | -                                  | -                                | (3,526,597)                                     | -                        | (3,526,597)         |                 |
| Health and sanitation                                       | 643,344           | 741,767              | -                                  | -                                | 98,423  | -                        | 98,423              |                 |
| Culture and recreation                                      | 854,258           | 107,403              | -                                  | -                                | (746,855)                                       | -                        | (746,855)           |                 |
| Airport   | 464,546           | -                    | -                                  | 1,402,774                        | 938,228   | -                        | 938,228             |                 |
| Cemeteries and municipal grounds                            | 838,848           | -                    | -                                  | -                                | (838,848)                                       | -                        | (838,848)           |                 |
| Paying agent fees on long-term debt                         | 48,681            | -                    | -                                  | -                                | (48,681)  | -                        | (48,681)            |                 |
| Interest on long-term debt                                  | 541,706           | -                    | -                                  | -                                | (541,706)                                       | -                        | (541,706)           |                 |
| <b>Total governmental activities</b>                        | <b>23,827,703</b> | <b>3,162,862</b>     | <b>3,154,382</b>                   | <b>1,410,874</b>                 | <b>(16,099,585)</b>                             | <b>-</b>                 | <b>(16,099,585)</b> |                 |
| <b>Business-type activities:</b>                            |                   |                      |                                    |                                  |   |                          |                     |                 |
| Water and sewer   | 3,791,303         | 3,391,590            | -                                  | 1,629,972                        | -   | 1,230,259                | 1,230,259           |                 |
| <b>Total business-type activities</b>                       | <b>3,791,303</b>  | <b>3,391,590</b>     | <b>-</b>                           | <b>1,629,972</b>                 | <b>-</b>  | <b>1,230,259</b>         | <b>1,230,259</b>    |                 |
| <b>Total primary government</b>                             | <b>27,619,006</b> | <b>6,554,452</b>     | <b>3,154,382</b>                   | <b>3,040,846</b>                 | <b>(16,099,585)</b>                             | <b>1,230,259</b>         | <b>(14,869,326)</b> |                 |
| <b>Component units:</b>                                     |                   |                      |                                    |                                  |   |                          |                     |                 |
| City Court of Hammond                                       | 516,358           | 184,517              | 373,311                            | -                                | -   | -                        | \$ 41,470           |                 |
| Marshal of City   |                   |                      |                                    |                                  |   |                          |                     |                 |
| Court of Hammond  | 1,303,601         | 723,692              | 772,121                            | -                                | -   | -                        | 192,212             |                 |
| <b>Total component units</b>                                | <b>1,819,959</b>  | <b>908,209</b>       | <b>1,145,432</b>                   | <b>-</b>                         | <b>-</b>  | <b>-</b>                 | <b>233,682</b>      |                 |
| <b>General revenues:</b>                                    |                   |                      |                                    |                                  |   |                          |                     |                 |
| <b>Taxes:</b>   |                   |                      |                                    |                                  |   |                          |                     |                 |
| Sales taxes   |                   |                      |                                    |                                  | 16,548,726                                      | -                        | 16,548,726          |                 |
| Ad valorem taxes, levied for general purposes               |                   |                      |                                    |                                  | 2,411,693                                       | -                        | 2,411,693           |                 |
| Ad valorem taxes, levied for fire and police                |                   |                      |                                    |                                  | 572,668   | -                        | 572,668             |                 |
| Franchise fees  |                   |                      |                                    |                                  | 815,652   | -                        | 815,652             |                 |
| Grants and contributions not restricted to specific program |                   |                      |                                    |                                  | -   | -                        | -                   |                 |
| Unrestricted investment earnings                            |                   |                      |                                    |                                  | 560,178   | 232,919                  | 793,097             |                 |
| Loss on disposal of capital assets                          |                   |                      |                                    |                                  | 26,340  | -                        | 26,340              |                 |
| Transfers   |                   |                      |                                    |                                  | (23,701)  | 23,701                   | -                   |                 |
| <b>Total general revenues and transfers</b>                 |                   |                      |                                    |                                  | <b>20,911,556</b>                               | <b>256,620</b>           | <b>21,168,176</b>   |                 |
| Change in net assets  |                   |                      |                                    |                                  | 4,811,971                                       | 1,486,879                | 6,298,850           |                 |
| Net assets - beginning of year - originally stated          |                   |                      |                                    |                                  | 23,504,551                                      | 17,300,844               | 40,805,395          |                 |
| Prior period adjustment                                     |                   |                      |                                    |                                  | 5,438,509                                       | -                        | 5,438,509           |                 |
| Net assets - beginning of year - restated                   |                   |                      |                                    |                                  | 28,943,060                                      | 17,300,844               | 46,243,904          |                 |
| Net assets - end of year                                    |                   |                      |                                    |                                  | \$ 33,755,031                                   | \$ 18,787,723            | \$ 52,542,754       |                 |
|   |                   |                      |                                    |                                  |   |                          | \$ 1,079,988        |                 |

See accompanying notes.

CITY OF HAMMOND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

|   | General<br>Fund            | Sales Tax<br>Fund          | Airport<br>Capital<br>Projects<br>Fund | Sales Tax<br>2005 Bond<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------------|----------------------------|--|--|--------------------------------|--------------------------------|
| <b>ASSETS:</b>                                |                            |                            |  |  |                                |                                |
| Cash and cash equivalents                     | \$ 2,953,836               | \$ 1,895,582               | \$ 816                                 | \$ 3,174,520                                   | \$ 5,083,408                   | \$ 13,108,162                  |
| Franchise taxes receivable                    | 177,434                    | -                          | -                                      | -  | -                              | 177,434                        |
| Notes receivable                              | 180,000                    | -                          | -                                      | -  | 121,104                        | 301,104                        |
| Other receivables                             | 79,844                     | -                          | -                                      | -  | -                              | 79,844                         |
| Due from other funds                          | -                          | 340,000                    | -                                      | -  | -                              | 340,000                        |
| Due from other governments                    | 485,029                    | 2,892,978                  | 1,397,505                              | -  | 477,580                        | 5,253,092                      |
| <b>TOTAL ASSETS</b>                           | <b>\$ <u>3,876,143</u></b> | <b>\$ <u>5,128,560</u></b> | <b>\$ <u>1,398,321</u></b>             | <b>\$ <u>3,174,520</u></b>                     | <b>\$ <u>5,682,092</u></b>     | <b>\$ <u>19,259,636</u></b>    |
| <b>LIABILITIES AND<br/>FUND BALANCE:</b>      |                            |                            |  |  |                                |                                |
| <b>Liabilities:</b>                           |                            |                            |  |  |                                |                                |
| Accounts payable                              | 845,185                    | 50,869                     | 1,059,782                              | 401,435  | 97,000                         | 2,454,271                      |
| Payroll taxes payable                         | 125,124                    | -                          | -                                      | -  | -                              | 125,124                        |
| Salaries payable                              | 107,606                    | -                          | -                                      | -  | -                              | 107,606                        |
| Due to other funds                            | -                          | -                          | 274,000                                | -  | 66,000                         | 340,000                        |
| Retainage payable                             | -                          | -                          | -                                      | 74,245   | 9,432                          | 83,677                         |
| Unearned grant income                         | 22,974                     | -                          | -                                      | -  | 59,208                         | 82,182                         |
| Other payable                                 | 259,000                    | -                          | -                                      | -  | -                              | 259,000                        |
| <b>Total liabilities</b>                      | <b><u>1,359,889</u></b>    | <b><u>50,869</u></b>       | <b><u>1,333,782</u></b>                | <b><u>475,680</u></b>                          | <b><u>231,640</u></b>          | <b><u>3,451,860</u></b>        |
| <b>FUND BALANCE:</b>                          |                            |                            |  |  |                                |                                |
| <b>Reserved:</b>                              |                            |                            |  |  |                                |                                |
| Capital Projects                              | -                          | -                          | 64,539                                 | 344,390  | 25,854                         | 434,783                        |
| Long-term assets                              | 168,000                    | -                          | -                                      | -  | 94,750                         | 262,750                        |
| Debt service                                  | -                          | -                          | -                                      | -  | 1,725,736                      | 1,725,736                      |
| <b>Designated:</b>                            |                            |                            |  |  |                                |                                |
| Capital Projects                              | -                          | -                          | -                                      | 2,354,450                                      | 777,704                        | 3,132,154                      |
| Unreserved                                    | 2,348,254                  | 5,077,691                  | -                                      | -  | -                              | 7,425,945                      |
| <b>Unreserved reported<br/>in nonmajor:</b>   |                            |                            |  |  |                                |                                |
| Special Revenue Fund                          | -                          | -                          | -                                      | -  | 2,826,408                      | 2,826,408                      |
| <b>Total fund balance</b>                     | <b><u>2,516,254</u></b>    | <b><u>5,077,691</u></b>    | <b><u>64,539</u></b>                   | <b><u>2,698,840</u></b>                        | <b><u>5,450,452</u></b>        | <b><u>15,807,776</u></b>       |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCE</b> | <b>\$ <u>3,876,143</u></b> | <b>\$ <u>5,128,560</u></b> | <b>\$ <u>1,398,321</u></b>             | <b>\$ <u>3,174,520</u></b>                     | <b>\$ <u>5,682,092</u></b>     | <b>\$ <u>19,259,636</u></b>    |

See accompanying notes.

CITY OF HAMMOND  
 RECONCILIATION OF THE BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 GOVERNMENTAL FUNDS  
JUNE 30, 2006

|  |                      |
|--|----------------------|
| Total fund balances at June 30, 2006 - Governmental Funds  | \$ 15,807,776        |
| Amounts reported for governmental funds in the<br>statement of net assets are different because:   |                      |
| Capital assets net of accumulated depreciation at June 30, 2006  | 33,063,372           |
| Governmental funds report bond issuance costs as expenditures.<br>However, in the Statement of Net Assets, bond issuance<br>costs are amortized over the life of the bond and are reported<br>as amortization expense. This is the amount of unamortized<br>bond issuance costs. | 49,192               |
| In the Statement of Net Assets, interest is accrued on<br>outstanding bonds, whereas in governmental funds,<br>an interest expenditure is reported when due.   | (50,810)             |
| Internal service funds' assets and liabilities (governmental activities)   | 516,276              |
| Long term liabilities at June 30, 2006   |                      |
| General obligation bonds payable   | (11,570,000)         |
| Certificates of indebtedness   | (1,540,000)          |
| Accumulated leave payable  | <u>(2,520,775)</u>   |
| Net assets of governmental activities  | <u>\$ 33,755,031</u> |

See accompanying notes.

**CITY OF HAMMOND**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

|   | General<br>Fund     | Sales Tax<br>Fund   | Airport<br>Capital<br>Projects<br>Fund | Sales Tax<br>2005 Bond<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|--|--|--------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                     |                     |  |  |                                |                                |
| Taxes   | \$ 3,650,577        | \$ 16,548,726       | \$ -                                   | \$ -   | \$ 149,436                     | \$ 20,348,739                  |
| Licenses and permits  | 1,674,636           | -                   | -                                      | -  | -                              | 1,674,636                      |
| Court witness fees  | -                   | -                   | -                                      | -  | 49,066                         | 49,066                         |
| Fines and forfeitures   | 499,455             | -                   | -                                      | -  | -                              | 499,455                        |
| Sanitation service fees   | 741,767             | -                   | -                                      | -  | -                              | 741,767                        |
| Federal grants  | 1,687,619           | -                   | 1,332,963                              | -  | 326,254                        | 3,346,836                      |
| State grants  | -                   | -                   | 69,811                                 | -  | 4,686                          | 74,497                         |
| Donations   | -                   | -                   | -                                      | 8,100  | 332                            | 8,432                          |
| Parks and recreation  | 107,403             | -                   | -                                      | -  | -                              | 107,403                        |
| Court awards  | -                   | -                   | -                                      | -  | 73,756                         | 73,756                         |
| Interest  | 88,279              | 82,384              | 721                                    | 163,018  | 183,890                        | 518,292                        |
| State supplemental pay  | 499,089             | -                   | -                                      | -  | -                              | 499,089                        |
| Miscellaneous   | 606,293             | -                   | -                                      | -  | 26,488                         | 632,781                        |
| Total revenues  | <u>9,555,118</u>    | <u>16,631,110</u>   | <u>1,403,495</u>                       | <u>171,118</u>                                 | <u>813,908</u>                 | <u>28,574,749</u>              |
| <b>EXPENDITURES:</b>  |                     |                     |  |  |                                |                                |
| General government  | 4,920,224           | -                   | -                                      | -  | 19,593                         | 4,939,817                      |
| Economic development  | -                   | -                   | -                                      | -  | 65,917                         | 65,917                         |
| Urban redevelopment   | -                   | -                   | -                                      | -  | 50,749                         | 50,749                         |
| Public safety:  |                     |                     |  |  |                                |                                |
| Police  | 6,137,680           | -                   | -                                      | -  | 150,149                        | 6,287,829                      |
| Fire  | 3,727,165           | -                   | -                                      | -  | 158,746                        | 3,885,911                      |
| Highways and streets  | 1,494,913           | -                   | -                                      | 423,596  | 82,938                         | 2,001,447                      |
| Cemeteries and municipal grounds  | 770,682             | 4,594               | -                                      | -  | -                              | 775,276                        |
| Buildings   | 962,797             | 53,668              | -                                      | -  | 13,800                         | 1,030,265                      |
| Sanitation  | 643,344             | -                   | -                                      | -  | -                              | 643,344                        |
| Parks and recreation  | 617,149             | 51,853              | -                                      | 100,000  | 9,726                          | 778,728                        |
| Airport   | 350,321             | -                   | 19,980                                 | -  | -                              | 370,301                        |
| Capital outlay  | 164,619             | 213,959             | 1,380,949                              | 1,424,442                                      | 926,381                        | 4,110,350                      |
| Debt Service:   |                     |                     |  |  |                                |                                |
| Principal retirement  | -                   | -                   | -                                      | -  | 755,000                        | 755,000                        |
| Interest and charges  | -                   | -                   | -                                      | -  | 538,088                        | 538,088                        |
| Paying agent fees   | -                   | -                   | -                                      | 46,436   | 2,245                          | 48,681                         |
| Total expenditures  | <u>19,788,894</u>   | <u>324,074</u>      | <u>1,400,929</u>                       | <u>1,994,474</u>                               | <u>2,773,332</u>               | <u>26,281,703</u>              |
| Excess (deficiency) of revenues<br>over expenses                                      | <u>(10,233,776)</u> | <u>16,307,036</u>   | <u>2,566</u>                           | <u>(1,823,356)</u>                             | <u>(1,959,424)</u>             | <u>2,293,046</u>               |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                     |                     |  |  |                                |                                |
| Operating transfers in  | 11,086,575          | -                   | -                                      | 102,290  | 2,700,534                      | 13,889,399                     |
| Operating transfers out   | (810,617)           | (12,101,000)        | -                                      | (357,500)                                      | (643,983)                      | (13,913,100)                   |
| Proceeds from sale of capital assets  | 8,084               | -                   | -                                      | -  | 10,102                         | 18,186                         |
| Total other financing sources (uses)  | <u>10,284,042</u>   | <u>(12,101,000)</u> | <u>-</u>                               | <u>(255,210)</u>                               | <u>2,066,653</u>               | <u>(5,515)</u>                 |
| Excess (deficiency) of revenues and other<br>sources over expenditures and other uses | 50,266              | 4,206,036           | 2,566                                  | (2,078,566)                                    | 107,229                        | 2,287,531                      |
| <b>FUND BALANCE -<br/>BEGINNING OF YEAR</b>   | <u>2,465,988</u>    | <u>871,655</u>      | <u>61,973</u>                          | <u>4,777,406</u>                               | <u>5,343,223</u>               | <u>13,520,245</u>              |
| <b>FUND BALANCE - END OF YEAR</b>   | <u>\$ 2,516,254</u> | <u>\$ 5,077,691</u> | <u>\$ 64,539</u>                       | <u>\$ 2,698,840</u>                            | <u>\$ 5,450,452</u>            | <u>\$ 15,807,776</u>           |

See accompanying notes.

CITY OF HAMMOND  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|   |                     |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds  | \$ 2,287,531        |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                     |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,110,570) exceeded depreciation (\$1,322,122) in the current period. | 2,788,448           |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.  | 755,000             |
| In the Statement of Activities, only the gain on the sale of fixed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.                                       | 8,153               |
| Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.  | (533,594)           |
| Governmental funds report bond issuance costs as expenditures. However, in the Statement of Net Assets, bond issuance costs are allocated over the life of the bond and reported as amortization expense. This is the amount of amortization expense in the current period.   | (3,027)             |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the amount of the additional accrued interest for the current year.  | (3,618)             |
| Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  | <u>(486,922)</u>    |
| Change in Net Assets of Governmental Activities   | \$ <u>4,811,971</u> |

See accompanying notes.

CITY OF HAMMOND  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|   | <u>Business-Type<br/>Activities -<br/>Enterprise Fund</u> | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</u> |
|---|---|--|
| <b>ASSETS:</b>  |   |  |
| Cash and cash equivalents                                       | \$ 1,817,620  | \$ 860,062   |
| Receivables:  |   |  |
| Customers (net of allowances for doubtful accounts of \$50,000) | 716,031   | 20,900   |
| Other receivables   | 4,672   | -  |
| Due from other governments                                      | 267,110   | -  |
| Prepaid insurance   | -   | 597,137  |
| Total current assets  | <u>2,805,433</u>  | <u>1,478,099</u>   |
| <b>RESTRICTED ASSETS:</b>                                       |   |  |
| Customers' deposits:  |   |  |
| Cash and cash equivalents                                       | 671,170   | -  |
| Bond Sinking Fund:  |   |  |
| Cash and cash equivalents                                       | <u>287,675</u>  | -  |
| Total restricted assets   | <u>958,845</u>  | -  |
| <b>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>         | <u>19,333,517</u>   | -  |
| <b>OTHER ASSETS:</b>  |   |  |
| Bond issuance costs (net of accumulated amortization)           | <u>21,828</u>   | -  |
| Total other assets  | <u>21,828</u>   | -  |
| <b>TOTAL ASSETS</b>   | <u>23,119,623</u>   | <u>1,478,099</u>   |
| <b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):</b>       |   |  |
| Accounts payable  | 425,903   | 23,840   |
| Retainage payable   | 302,136   | -  |
| Claims payable  | -   | 921,963  |
| Claims incurred but not reported                                | -   | 16,022   |
| Due to other governments  | <u>449,897</u>  | -  |
| Total current liabilities (payable from current assets)         | <u>1,177,936</u>  | <u>961,825</u>   |
| <b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):</b>    |   |  |
| Customers' deposits   | 503,371   | -  |
| Bonds payable - current portion                                 | <u>445,000</u>  | -  |
| Total current liabilities (payable from restricted assets)      | <u>948,371</u>  | -  |
| <b>LONG-TERM LIABILITIES:</b>                                   |   |  |
| Bonds payable - long-term portion                               | 1,945,000   | -  |
| Accumulated leave payable                                       | <u>260,593</u>  | -  |
| Total long-term liabilities                                     | <u>2,205,593</u>  | -  |
| <b>TOTAL LIABILITIES</b>  | <u>4,331,900</u>  | <u>961,825</u>   |
| <b>NET ASSETS:</b>  |   |  |
| Invested in capital assets, net of related debt                 | 16,943,517  | -  |
| Restricted for:   |   |  |
| Debt service  | 287,675   | -  |
| Unrestricted  | <u>1,556,531</u>  | <u>516,274</u>   |
| <b>TOTAL NET ASSETS</b>   | <u>\$ 18,787,723</u>                                      | <u>\$ 1,478,099</u>  |

See accompanying notes.

CITY OF HAMMOND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|   | <u>Business-Type<br/>Activities -<br/>Enterprise Funds</u> | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</u> |
|---|--|---|
| <b>OPERATING REVENUES:</b>                          |  |   |
| Sewer charges                                       | \$ 2,001,596   | \$ -  |
| Water sales   | 1,058,990  | -   |
| Tap-in and reconnect fees                           | 64,741   | -   |
| Insurance charges                                   | -  | 1,085,495   |
| Insurance reimbursements                            | -  | 84,380  |
| Miscellaneous                                       | 82,366   | 21,401  |
| Total operating revenues                            | <u>3,207,693</u>   | <u>1,191,276</u>  |
| <b>OPERATING EXPENSES:</b>                          |  |   |
| Insurance   | -  | 1,765,757   |
| Personnel services                                  | 1,402,837  | -   |
| Contractual services, supplies, materials and other | 1,383,728  | -   |
| Depreciation  | 929,943  | -   |
| Amortization bond issuance cost                     | -  | -   |
| Total operating expenses                            | <u>3,716,508</u>   | <u>1,765,757</u>  |
| Operating income (loss)                             | <u>(508,815)</u>   | <u>(574,481)</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>           |  |   |
| Interest income                                     | 232,919  | 40,885  |
| Miscellaneous income                                | 183,897  | -   |
| Federal grant                                       | 1,290,831  | -   |
| State grant   | 339,141  | -   |
| Interest expense                                    | (74,460)   | -   |
| Paying agent fees                                   | (335)  | -   |
| Total non-operating revenues (expenses)             | <u>1,971,993</u>   | <u>40,885</u>   |
| Income before operating transfers                   | <u>1,463,178</u>   | <u>(533,596)</u>  |
| TRANSFERS IN  | 9,713,232  | -   |
| TRANSFERS OUT                                       | <u>(9,689,531)</u>   | -   |
| Total operating transfers                           | <u>23,701</u>  | -   |
| Change in net assets                                | 1,486,879  | (533,596)   |
| Total net assets - beginning of year                | <u>17,300,844</u>  | <u>1,049,870</u>  |
| <b>TOTAL NET ASSETS - END OF YEAR</b>               | <u>\$ 18,787,723</u>                                       | <u>\$ 516,274</u>   |

See accompanying notes.

CITY OF HAMMOND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Business-Type<br>Activities -<br>Enterprise<br><u>Funds</u> | Governmental<br>Activities -<br>Internal<br>Service<br><u>Funds</u> |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |   |   |
| Receipts from customers and users  | \$ 3,646,358  | \$ 1,085,495  |
| Payments to suppliers  | (982,094)   | (1,572,867)   |
| Payments to employees  | (1,373,881)   | -   |
| Payments from claim settlements  | -   | 84,881  |
| Payments to other funds  | (170,762)   | -   |
| Net cash provided by (used in) operating activities                        | <u>1,119,621</u>  | <u>(402,491)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>       |   |   |
| Principal paid on capital debt   | (655,000)   | -   |
| Purchases of capital assets  | (7,261,646)   | -   |
| Interest paid  | (74,460)  | -   |
| Miscellaneous receipts   | 171,500   | -   |
| Paying agent fees  | (335)   | -   |
| Receipts from grants   | 1,890,631   | -   |
| Operating transfers out  | (9,689,531)   | -   |
| Operating transfers in   | <u>9,725,629</u>  | <u>-</u>  |
| Net cash provided by (used in) capital<br>and related financing activities | <u>(5,893,212)</u>  | <u>-</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |   |   |
| Interest and dividends received  | <u>232,919</u>  | <u>40,885</u>   |
| Net cash provided by (used in) investing activities                        | <u>232,919</u>  | <u>40,885</u>   |
| Net increase (decrease) in cash and cash equivalents                       | (4,540,672)   | (361,606)   |
| Cash and cash equivalents, July 1, 2005                                    | <u>7,317,137</u>  | <u>1,221,668</u>  |
| Cash and cash equivalents, June 30, 2006                                   | \$ <u>2,776,465</u>   | \$ <u>860,062</u>   |
| <b>Non Cash Capital:</b>   |   |   |
| Transfer of assets   | \$ <u>12,397</u>  | \$ <u>-</u>   |

(Continued)

CITY OF HAMMOND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Business-Type<br>Activities -<br>Enterprise<br><u>Funds</u> | Governmental<br>Activities -<br>Internal<br>Service<br><u>Funds</u> |
|--|---|---|
| Reconciliation of operating income to net cash<br>provided by operating activities:                  |   |   |
| Operating income (loss)  | \$ <u>(508,815)</u>   | \$ <u>(574,481)</u>   |
| Adjustments to reconcile operating income to net cash<br>provided by (used in) operating activities: |   |   |
| Depreciation and amortization  | 929,943   | -   |
| (Increase) decrease in accounts receivable   | 438,664   | (20,900)  |
| (Increase) decrease in other assets  | -   | -   |
| (Increase) decrease in prepaid insurance   | -   | (31,306)  |
| Increase (decrease) in accounts payable  | 387,716   | 23,620  |
| Increase (decrease) in customer deposits   | 4,891   | -   |
| Increase (decrease) in due to other governments  | 9,027   | -   |
| Increase (decrease) in due to other funds  | (170,762)   | -   |
| Increase (decrease) in accumulated leave   | 28,957  | -   |
| Increase (decrease) in retainage payable   | -   | -   |
| Increase (decrease) in claims payable  | -   | 203,376   |
| Increase (decrease) in claims incurred but not reported  | <u>-</u>  | <u>(2,800)</u>  |
| Total adjustments  | <u>1,628,436</u>  | <u>171,990</u>  |
| NET CASH PROVIDED BY (USED IN)<br>OPERATING ACTIVITIES   | \$ <u>1,119,621</u>   | \$ <u>(402,491)</u>   |

See accompanying notes.

CITY OF HAMMOND  
 COMPONENT UNITS  
 STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2006

|                                     | Marshal's Office<br>City<br>Court of<br><u>Hammond</u> | City<br>Court of<br><u>Hammond</u> |
|-------------------------------------|--|------------------------------------|
| <b>ASSETS:</b>                      |  |                                    |
| Cash                                | \$ 1,516   | \$ -                               |
| Cash on hand and in banks           | -  | 367,994                            |
| Internal balances                   | <u>2,210</u>   | <u>37,049</u>                      |
| <b>TOTAL ASSETS</b>                 | <u>3,726</u>   | <u>405,043</u>                     |
| <b>LIABILITIES:</b>                 |  |                                    |
| Accounts payable                    | -  | 42,090                             |
| Internal balances                   | -  | <u>66,672</u>                      |
| <b>TOTAL LIABILITIES</b>            | <u>-</u>   | <u>108,762</u>                     |
| <b>NET ASSETS:</b>                  |  |                                    |
| Held in Trust for Plaintiffs        | 3,726  | -                                  |
| Held in Trust for Benefit of Others | <u>-</u>   | <u>296,281</u>                     |
| <b>TOTAL NET ASSETS</b>             | <u>\$ 3,726</u>  | <u>\$ 296,281</u>                  |

See accompanying notes.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

INTRODUCTION:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

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

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

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

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

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

| <u>Component Unit</u>                    | <u>Year End</u> | <u>Criteria Used</u> |
|--|-----------------|----------------------|
| City Court                               | June 30, 2006   | 2                    |
| Marshal of City Court                    | June 30, 2006   | 2                    |
| Hammond Downtown<br>Development District | June 30, 2006   | 1                    |

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2006.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

Discretely Presented Component Units (Continued)

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2006.

Related Organizations

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

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

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

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

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

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Government-Wide Financial Statements

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

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

Amounts reported as program revenues include:

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

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

Fund Financial Statements:

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Fund Financial Statements: (Continued)

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

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

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the City applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the City has elected not to apply pronouncements other than those issued by GASB after November 30, 1989.

The City government reports the following major governmental funds:

- \* General Fund – the General Fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- \* Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- \* Airport Capital Projects Fund – the Airport Capital Projects Fund is used to account for the proceeds received from the federal government for capital improvements to the City of Hammond Airport.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Fund Financial Statements: (Continued)

- \* Sales Tax 2005 Bond Construction Fund – the Sales Tax 2005 Bond Construction Fund is used to account for the proceeds received from the issuance of a sales tax bond and the expenditures associated with various street and drainage improvement projects occurring within the City.

The City government reports the following major proprietary fund:

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

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

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

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Budgets:

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

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

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Compensated Absences:

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

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

Employees earn 12 days a year of sick leave regardless of the length of service. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

Sales and Use Tax:

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

Fund Equity:

In the fund financial statements, reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Long-Term Obligations:

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

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

Restricted Assets:

Included in restricted assets of the governmental activities in the Statement of Net Assets are: 1) the "Capital Project Fund", which is used to segregate those resources accumulated through sale of bond or state financing to be used for capital projects, and 2) the "Debt Service Fund" account, which is used to pay principal and interest on the City's general obligation bonds and certificates of indebtedness.

Included in restricted assets of the business type activities in the Statement of Net Assets are: 1) the "Customers' Deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service, and 2) the "Debt Service Fund" account, which is used to pay the principal and interest payments on the City's revenue bonds.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2006 is \$50,000.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Cash and Cash Equivalents:

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

Advance To/From Other Funds

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

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due to or from other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables or payables or due to or from other funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 for equipment, \$100,000-\$250,000 for infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Capital Assets (Continued)

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

|                        | <u>Life</u> |
|------------------------|-------------|
| Building               | 25 years    |
| Lines and mains        | 20-50 years |
| Equipment and vehicles | 4-10 years  |

Interfund Transactions

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

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

USE OF ESTIMATES:

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

2. AD VALOREM TAXES:

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

The City is permitted by state law to levy taxes up to seven mills of assessed valuation for general operating purposes. In addition, voters renewed a ten-year millage in 1996 of two mills to be used for public improvements upkeep. The total is for general government services. No assessment was required for payment of long-term debt. On November 20, 1999, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2001, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries. For the year ended June 30, 2006, taxes of 19.04 mills were levied on property with assessed valuations totaling \$150,778,703. The total tax levied was \$2,870,826. Tax collections for the year ended June 30, 2006 were 95% of the tax levy.

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

3. CASH AND CASH EQUIVALENTS:

Primary Government

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

3. CASH AND CASH EQUIVALENTS: (Continued)

Primary Government (Continued)

At June 30, 2006, the City of Hammond has cash (book balances) totaling \$16,744,694, as follows:

|                                  |                      |
|----------------------------------|----------------------|
| Governmental Funds:              |                      |
| Petty cash                       | \$ 1,100             |
| Demand deposits                  | 5,956                |
| Interest bearing demand deposits | <u>13,101,111</u>    |
|                                  | <u>13,108,167</u>    |
| Proprietary Funds:               |                      |
| Enterprise Fund                  |                      |
| Interest bearing demand deposit  | 2,776,465            |
| Internal Service Fund            |                      |
| Interest bearing demand deposit  | 850,241              |
| Cash with agent                  | <u>9,821</u>         |
|                                  | <u>3,636,527</u>     |
| Total                            | <u>\$ 16,744,694</u> |

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

At June 30, 2006, the City of Hammond has \$17,476,678 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$21,080,195 of pledged securities.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The City's bank balance of \$17,476,678 at June 30, 2006 is secured by pledged collateral held in joint custody. The City has no formal policy regarding custodial credit risk.

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

CITY OF HAMMOND  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

3. CASH AND CASH EQUIVALENTS: (Continued)

Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposit) at June 30, 2006, are as follows:

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$321,243 in deposits (book balances) at June 30, 2006. Total cash (book balances) from fiduciary responsibilities was \$367,994 at June 30, 2006. Bank balances as of June 30, 2006 was \$1,216,275, of which \$636,343 was insured by FDIC Insurance, and \$579,932 was collateralized with investments held by pledging bank's trust department not in the City Court's name..

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. As of June 30, 2006, \$579,932 was exposed to custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk under the provision of GASB Statement 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

As of June 30, 2006, the City Court complied with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

Marshal of City Court of Hammond

At June 30, 2006, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$216,925. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$1,516 at June 30, 2006. The bank balances as of June 30, 2006 was \$260,563, of which \$179,238 was insured by FDIC Insurance and \$81,325 was collateralized by securities held by pledging bank's trust department not in the Marshall's Office's name.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of a bank failure, the entity's deposits and collateral securities that are in the possession of an outside party may not be recovered. The Marshall's Office is exposed to custodial credit risk at June 30, 2006 for deposits in the amount of \$81,325 of the bank balance of \$260,563, since the deposits are not in the name of the Marshall's Office. The Marshall's Office has no formal policy regarding custodial credit risk.

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

3. CASH AND CASH EQUIVALENTS: (Continued)

Custodial Credit Risk: (Continued)

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

4. INVESTMENTS:

Primary Government:

The primary government had no long-term investments as of June 30, 2006. All monies are invested in short term cash equivalents.

Discretely Presented Component Units

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

The City Court of Hammond reported on the government-wide financial statements unrestricted investments (book balance) of \$431,520 at June 30, 2006. See Footnote 3 for additional disclosure of investments.

5. RECEIVABLES:

Receivables as of June 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

|                     | <u>Governmental Funds</u> |   |                   | <u>Proprietary</u>               | <u>Total</u>        | <u>Total</u>    | <u>Reporting</u>    |
|---------------------|---------------------------|---|-------------------|----------------------------------|---------------------|-----------------|---------------------|
|                     | <u>General</u>            | <u>Other</u><br><u>Governmental</u><br><u>Funds</u> | <u>Total</u>      | <u>Fund</u><br><u>Enterprise</u> |                     |                 |                     |
| Receivables:        |                           |   |                   |                                  |                     |                 |                     |
| Taxes:              |                           |   |                   |                                  |                     |                 |                     |
| Ad Valorem          | \$ 204,254                | \$ --   | \$ 204,254        | \$ --                            | \$ 204,254          | \$ --           | \$ 204,254          |
| Franchise           | 177,434                   | --  | 177,434           | --                               | 177,434             | --              | 177,434             |
| Notes               | 180,000                   | 121,104   | 301,104           | --                               | 301,104             | --              | 301,104             |
| Accounts            | --                        | --  | --                | 766,031                          | 766,031             | 3,435           | 769,466             |
| Other               | <u>79,844</u>             | <u>--</u>   | <u>79,844</u>     | <u>4,672</u>                     | <u>84,516</u>       | <u>732</u>      | <u>85,248</u>       |
| Gross Receivables   | 641,532                   | 121,104   | 762,636           | 770,703                          | 1,533,339           | 4,167           | 1,537,506           |
| Less: Allowance for |                           |   |                   |                                  |                     |                 |                     |
| Uncollectibles      | <u>(204,254)</u>          | <u>( -- )</u>                                       | <u>(204,254)</u>  | <u>(50,000)</u>                  | <u>(254,254)</u>    | <u>--</u>       | <u>(254,254)</u>    |
| Net Receivables     | <u>\$ 437,278</u>         | <u>\$ 121,104</u>                                   | <u>\$ 558,382</u> | <u>\$ 720,703</u>                | <u>\$ 1,279,085</u> | <u>\$ 4,167</u> | <u>\$ 1,283,252</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

|                                       | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|---------------------------------------|----------------------------------|-------------------------------|
| <u>Governmental Funds:</u>            |                                  |                               |
| Sales Tax Fund                        | \$ 340,000                       | \$ --                         |
| Airport Capital Projects Fund         | --                               | 274,000                       |
| Other Governmental Funds              | --                               | 66,000                        |
| Total Governmental Funds              | <u>340,000</u>                   | <u>340,000</u>                |
| <u>Proprietary Fund:</u>              |                                  |                               |
| Enterprise Fund                       | --                               | --                            |
| Total Proprietary Fund                | --                               | --                            |
| Total Primary Government              | <u>\$ 340,000</u>                | <u>\$ 340,000</u>             |
|                                       | <u>Transfers In</u>              | <u>Transfers Out</u>          |
| <u>Governmental Funds:</u>            |                                  |                               |
| General Fund                          | \$ 11,086,575                    | \$ 810,617                    |
| Sales Tax Fund                        | --                               | 12,101,000                    |
| Sales Tax 2005 Bond Construction Fund | 102,290                          | 357,500                       |
| Other Governmental Funds              | 2,700,534                        | 643,983                       |
| Total Governmental Funds              | <u>13,889,399</u>                | <u>13,913,100</u>             |
| <u>Proprietary Fund:</u>              |                                  |                               |
| Enterprise Fund                       | 9,713,232                        | 9,689,531                     |
| Total Proprietary Fund                | 9,713,232                        | 9,689,531                     |
| Total Primary Government              | <u>\$ 23,602,631</u>             | <u>\$ 23,602,631</u>          |

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

7. DUE FROM OTHER GOVERNMENTS:

|   | <u>Governmental Funds</u> |                     |   |   | <u>Proprietary<br/>Fund</u> |   | <u>Component<br/>Units</u> | <u>Total<br/>Reporting<br/>Entity</u> |
|---|---------------------------|---------------------|---|---|-----------------------------|---|----------------------------|---------------------------------------|
|   | <u>General</u>            | <u>Sales Tax</u>    | <u>Airport<br/>Capital<br/>Projects</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Enterprise<br/>Fund</u>  | <u>Total<br/>Primary<br/>Government</u> |                            |                                       |
| State of Louisiana:                           |                           |                     |   |   |                             |   |                            |                                       |
| Beer tax                                      | \$ 15,000                 | \$ --               | \$ --                                   | \$ --                                   | \$ --                       | \$ 15,000                               | \$ --                      | \$ 15,000                             |
| State Grants                                  | --                        | --                  | 68,876                                  | 83,522                                  | 108,068                     | 260,466                                 | 30,746                     | 291,212                               |
| Tangipahoa Parish<br>Council:                 |                           |                     |   |   |                             |   |                            |                                       |
| Fire Insurance tax                            | 65,790                    | --                  | --                                      | --                                      | --                          | 65,790                                  | --                         | 65,790                                |
| Reimbursement of<br>Courtroom Security        | --                        | --                  | --                                      | --                                      | --                          | --                                      | 1,000                      | 1,000                                 |
| Tangipahoa Parish Rural<br>Fire District #2   | 46,250                    | --                  | --                                      | --                                      | --                          | 46,250                                  | --                         | 46,250                                |
| Tangipahoa Parish School<br>Board - sales tax | --                        | 2,892,978           | --                                      | --                                      | --                          | 2,892,978                               | --                         | 2,892,978                             |
| City Court of Hammond                         | 51,560                    | --                  | --                                      | --                                      | --                          | 51,560                                  | 21,209                     | 72,769                                |
| Federal Grants                                | 306,429                   | --                  | 1,328,629                               | 394,058                                 | 159,042                     | 2,188,158                               | --                         | 2,188,158                             |
| Total due from<br>other governments           | <u>\$ 485,029</u>         | <u>\$ 2,892,978</u> | <u>\$ 1,397,505</u>                     | <u>\$ 477,580</u>                       | <u>\$ 267,110</u>           | <u>\$ 5,520,202</u>                     | <u>\$ 52,955</u>           | <u>\$ 5,573,157</u>                   |

CITY OF HAMMOND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

8. CAPITAL ASSETS:Governmental Funds

The following is a summary of governmental fund-type capital assets at June 30, 2006:

|  | Balance<br>July 1,<br>2005 | Prior<br>Year Not<br>Reported | Additions           | Deletions       | Completed<br>Construction | June 30,<br>2006     |
|--|----------------------------|-------------------------------|---------------------|-----------------|---------------------------|----------------------|
| Governmental activities:                       |                            |                               |                     |                 |                           |                      |
| Capital assets not being depreciated:          |                            |                               |                     |                 |                           |                      |
| Land   | \$ 3,417,208               | \$ --                         | \$ --               | \$ --           | \$ --                     | \$ 3,417,209         |
| Construction in progress                       | <u>1,840,013</u>           | <u>--</u>                     | <u>2,908,376</u>    | <u>--</u>       | <u>(3,214,410)</u>        | <u>1,533,978</u>     |
| Total capital assets not<br>being depreciated  | <u>5,257,221</u>           | <u>--</u>                     | <u>2,908,376</u>    | <u>--</u>       | <u>(3,214,410)</u>        | <u>4,951,187</u>     |
| Capital assets being depreciated:              |                            |                               |                     |                 |                           |                      |
| Building                                       | 6,194,227                  | --                            | 4,264               | --              | --                        | 6,198,491            |
| Vehicles                                       | 5,722,334                  | --                            | 561,505             | (585,728)       | --                        | 5,698,111            |
| Equipment                                      | 2,895,993                  | --                            | 636,425             | (242,563)       | --                        | 3,289,855            |
| Infrastructure                                 | <u>12,412,770</u>          | <u>7,947,979</u>              | <u>--</u>           | <u>--</u>       | <u>3,214,410</u>          | <u>23,575,159</u>    |
| Total capital assets<br>being depreciated      | 27,225,324                 | 7,947,979                     | 1,202,194           | (828,291)       | 3,214,410                 | 38,761,616           |
| Less: accumulated depreciation                 | <u>(7,654,283)</u>         | <u>(2,509,470)</u>            | <u>(1,322,122)</u>  | <u>836,444</u>  | <u>--</u>                 | <u>(10,649,431)</u>  |
| Total capital assets being<br>depreciated, net | <u>19,571,041</u>          | <u>5,438,509</u>              | <u>(119,928)</u>    | <u>8,153</u>    | <u>3,214,410</u>          | <u>28,112,185</u>    |
| Governmental activities<br>capital assets, net | <u>\$ 24,828,262</u>       | <u>\$ 5,438,509</u>           | <u>\$ 2,788,448</u> | <u>\$ 8,153</u> | <u>\$ --</u>              | <u>\$ 33,063,372</u> |

Depreciation expense was charged to functions as follows:

|  |                     |
|--|---------------------|
| General government                                 | \$ 162,670          |
| Public safety:                                     |                     |
| Police   | 382,724             |
| Fire   | 175,499             |
| Culture and recreation                             | 52,957              |
| Building   | 27,978              |
| Grounds  | 32,609              |
| Airport  | 81,216              |
| Streets  | 396,056             |
| Economic development                               | <u>10,413</u>       |
| Total governmental activities depreciation expense | <u>\$ 1,322,122</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

8. CAPITAL ASSETS: (Continued)Governmental Funds (Continued)

The following is a summary of capital assets of the Component Units at June 30, 2006:

|                                     | Balance<br><u>July 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Accumulated<br/>Depreciation</u> | Balance<br><u>June 30, 2006</u> |
|-------------------------------------|--------------------------------|------------------|------------------|-------------------------------------|---------------------------------|
| City Court of Hammond               | \$ 586,804                     | \$ 79,938        | \$ 2,489         | \$ 534,812                          | \$ 129,441                      |
| Marshal of City Court<br>of Hammond | <u>106,740</u>                 | <u>2,403</u>     | <u>--</u>        | <u>105,038</u>                      | <u>4,105</u>                    |
| Total Component Units               | <u>\$ 693,544</u>              | <u>\$ 82,341</u> | <u>\$ 2,489</u>  | <u>\$ 639,850</u>                   | <u>\$ 133,546</u>               |

Proprietary Fund:

The following is a summary of proprietary fund-type capital assets at June 30, 2006:

|  | Balance<br><u>July 1, 2005</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Transfers</u> | <u>Completed<br/>Construction</u> | Balance<br><u>June 30, 2006</u> |
|--|--------------------------------|---------------------|------------------|------------------|-----------------------------------|---------------------------------|
| <u>Business-type activities:</u>             |                                |                     |                  |                  |                                   |                                 |
| Capital assets not being depreciated:        |                                |                     |                  |                  |                                   |                                 |
| Land   | \$ 158,047                     | \$ --               | \$ --            | \$ --            | \$ --                             | \$ 158,047                      |
| Construction in Progress                     | <u>1,507,634</u>               | <u>7,493,238</u>    | <u>--</u>        | <u>--</u>        | <u>--</u>                         | <u>9,000,872</u>                |
| Total capital assets not being depreciated   | <u>1,665,681</u>               | <u>7,493,238</u>    | <u>--</u>        | <u>--</u>        | <u>--</u>                         | <u>9,158,919</u>                |
| Capital assets being depreciated:            |                                |                     |                  |                  |                                   |                                 |
| Water:                                       |                                |                     |                  |                  |                                   |                                 |
| Buildings                                    | 54,410                         | 1,031               | --               | --               | --                                | 55,441                          |
| Equipment                                    | 352,340                        | 25,950              | --               | (3,996)          | --                                | 374,294                         |
| Vehicles                                     | 552,945                        | 35,163              | (30,519)         | 12,397           | --                                | 569,986                         |
| Lines and Mains                              | 5,634,378                      | --                  | --               | --               | --                                | 5,634,378                       |
| Sewer:                                       |                                |                     |                  |                  |                                   |                                 |
| Buildings                                    | 65,003                         | --                  | --               | --               | --                                | 65,003                          |
| Equipment                                    | 188,329                        | --                  | --               | (4,000)          | --                                | 184,329                         |
| Vehicles                                     | 403,931                        | --                  | --               | --               | --                                | 403,931                         |
| Lines and Mains                              | <u>17,227,542</u>              | <u>--</u>           | <u>--</u>        | <u>--</u>        | <u>--</u>                         | <u>17,227,542</u>               |
| Total capital assets being depreciated       | 24,478,878                     | 62,144              | (30,519)         | 4,401            | --                                | 24,514,904                      |
| Less: accumulated depreciation               | <u>(13,449,684)</u>            | <u>(925,317)</u>    | <u>30,519</u>    | <u>4,176</u>     | <u>--</u>                         | <u>(14,340,306)</u>             |
| Total capital assets being depreciated, net  | <u>11,029,194</u>              | <u>(863,173)</u>    | <u>--</u>        | <u>8,577</u>     | <u>--</u>                         | <u>10,174,598</u>               |
| Business-type activities capital assets, net | <u>\$ 12,694,875</u>           | <u>\$ 6,630,065</u> | <u>\$ --</u>     | <u>\$ 8,577</u>  | <u>\$ --</u>                      | <u>\$ 19,333,517</u>            |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

8. CAPITAL ASSETS: (Continued)Proprietary Fund: (Continued)

Depreciation expense was as follows:

Business-type activities:

|   |                   |
|---|-------------------|
| Water   | \$ 272,641        |
| Sewer   | <u>652,676</u>    |
| Total business-type activities depreciation expense | <u>\$ 925,317</u> |

9. RESTRICTED ASSETS:

Restricted assets for the City were applicable to the following at June 30, 2006:

Governmental Activities:

|                          |                     |
|--------------------------|---------------------|
| Unexpended Bond Proceeds | \$ 3,952,224        |
| Bond Sinking Fund        | 1,725,736           |
| Unexpended State Funding | <u>816</u>          |
| Total                    | <u>\$ 5,678,776</u> |

Business-type Activities:

|                        |                   |
|------------------------|-------------------|
| Meter Deposit Accounts | \$ 671,170        |
| Bond Sinking Fund      | <u>287,675</u>    |
| Total                  | <u>\$ 958,845</u> |

10. GENERAL LONG-TERM DEBT OBLIGATIONS:

The following is a summary of general long-term debt transactions for the year ended June 30, 2006:

|                              | <u>Outstanding</u><br><u>July 1, 2005</u> | <u>Additions</u>  | <u>Deletions</u>   | <u>Outstanding</u><br><u>June 30, 2006</u> | <u>Amounts</u><br><u>Due Within</u><br><u>One Year</u> |
|------------------------------|---|-------------------|--------------------|--|--|
| <b>Governmental Funds:</b>   |   |                   |                    |  |  |
| General obligation bonds     | \$ 12,045,000                             | \$ --             | \$ 475,000         | \$ 11,570,000                              | \$ 495,000   |
| Certificates of indebtedness | 1,820,000                                 | --                | 280,000            | 1,540,000                                  | 285,000  |
| Accumulated leave            | <u>2,033,852</u>                          | <u>486,922</u>    | <u>--</u>          | <u>2,520,774</u>                           | <u>--</u>  |
| Total Governmental Funds     | <u>\$ 15,898,852</u>                      | <u>\$ 486,922</u> | <u>\$ 755,000</u>  | <u>\$ 15,630,774</u>                       | <u>\$ 780,000</u>                                      |
| <b>Proprietary Funds:</b>    |   |                   |                    |  |  |
| Bonds payable                | \$ 3,045,000                              | \$ --             | \$(655,000)        | \$ 2,390,000                               | \$ 445,000   |
| Accumulated leave            | 231,637                                   | 28,956            | --                 | 260,593                                    | --   |
| Due to other governments     | <u>440,870</u>                            | <u>9,027</u>      | <u>--</u>          | <u>449,897</u>                             | <u>449,897</u>   |
| Total Proprietary Funds      | <u>\$ 3,717,507</u>                       | <u>\$ 37,983</u>  | <u>\$(655,000)</u> | <u>\$ 3,100,490</u>                        | <u>\$ 894,897</u>                                      |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

10. GENERAL LONG-TERM DEBT OBLIGATIONS:

Governmental Funds:

The following is a summary of the bonds of the City at June 30, 2006:

General Obligation Bonds

|   |                      |
|---|----------------------|
| \$3,360,000 1997 Public Improvement Refund Bonds, Series 2E, due in annual installments of principal and semiannual installments of interest through December 1, 2007; on \$440,000 at 4.35%, and on \$75,000 at 4.40%.   | \$ 515,000           |
| \$6,000,000 2002 Sales Tax Bonds, Series 2002, due in annual installments of principal and semi-annual installments of interest through December 1, 2022; interest on \$15,000 at 6.5%, on \$175,000 at 5.375%, on \$265,000 at 4%, on \$280,000 at 4%, on \$295,000 at 4%, on \$305,000 at 5.5%, on \$325,000 at 5.5%, on \$340,000 at 4%, on \$360,000 at 4%, on \$375,000 at 4.125%, on \$395,000 at 4.375%, on \$415,000 at 4.4%, on \$440,000 at 4.5%, on \$460,000 at 4.6%, on \$485,000 at 4.65%, on \$510,000 at 4.7%, and on \$535,000 at 4.75%. | 5,975,000            |
| \$310,000 2002 Public Improvement Refund Bonds, Series Sales Tax 2002, due in annual installments of principal and semiannual installments of interest through December 1, 2007; interest on the following principal payments at 3.24%: \$40,000 and \$40,000.  | 80,000               |
| \$5,000,000 Sales Tax Bonds, Series 2005, due in annual installments of principal starting December 1, 2007, and semi-annual installments of interest starting December 1, 2005, through December 1, 2019; interest on \$260,000 at 3%, on \$315,000 at 3.25%, on \$325,000 at 3.25%, on \$335,000 at 3.5%, on \$350,000 at 3.5%, on \$365,000 at 3.5%, on \$385,000 at 3.5%, on \$400,000 at 4%, on \$420,000 at 4%, on \$435,000 at 4%, on \$455,000 at 4.5%, on \$465,000 at 4.5%, and \$490,000 at 4.5%   | <u>5,000,000</u>     |
| Total General Obligation Bonds Payable  | <u>\$ 11,570,000</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

A combined schedule of the outstanding Public Improvements Refunding Sales Tax Series 2E, Sales Tax Series 2002, Refunding Series Sales Tax 2002, and Sales Tax Series 2005 bonds and the interest and principal requirements by dates is as follows:

| Due Date         | Refunding Sales Tax<br>Series 2E |                  | Sales Tax<br>Series 2002 |                     | Refunding Series<br>Sales Tax 2002 |                 | Sales Tax<br>Series 2005 |                     | Totals               |
|------------------|----------------------------------|------------------|--------------------------|---------------------|------------------------------------|-----------------|--------------------------|---------------------|----------------------|
|                  | Principal                        | Interest         | Principal                | Interest            | Principal                          | Interest        | Principal                | Interest            |                      |
| December 1, 2006 | \$ 440,000                       | \$ 11,220        | \$ 15,000                | \$ 135,268          | \$ 40,000                          | \$ 1,296        | \$ --                    | \$ 96,237           | \$ 739,021           |
| June 1, 2007     | --                               | 1,650            | --                       | 134,781             | --                                 | 648             | --                       | 96,238              | 233,317              |
| December 1, 2007 | 75,000                           | 1,650            | 175,000                  | 134,781             | 40,000                             | 648             | 260,000                  | 96,237              | 783,316              |
| June 1, 2008     | --                               | --               | --                       | 130,078             | --                                 | --              | --                       | 92,338              | 222,416              |
| December 1, 2008 | --                               | --               | 265,000                  | 130,078             | --                                 | --              | 315,000                  | 92,337              | 802,415              |
| June 1, 2009     | --                               | --               | --                       | 124,178             | --                                 | --              | --                       | 87,219              | 211,397              |
| December 1, 2009 | --                               | --               | 280,000                  | 124,178             | --                                 | --              | 325,000                  | 87,219              | 816,397              |
| June 1, 2010     | --                               | --               | --                       | 119,178             | --                                 | --              | --                       | 81,937              | 201,115              |
| December 1, 2010 | --                               | --               | 295,000                  | 119,178             | --                                 | --              | 335,000                  | 81,938              | 831,116              |
| June 1, 2011     | --                               | --               | --                       | 113,278             | --                                 | --              | --                       | 76,075              | 189,353              |
| December 1, 2011 | --                               | --               | 305,000                  | 113,278             | --                                 | --              | 350,000                  | 76,075              | 844,353              |
| June 1, 2012     | --                               | --               | --                       | 104,890             | --                                 | --              | --                       | 69,950              | 174,840              |
| December 1, 2012 | --                               | --               | 325,000                  | 104,890             | --                                 | --              | 365,000                  | 69,950              | 864,840              |
| June 1, 2013     | --                               | --               | --                       | 95,953              | --                                 | --              | --                       | 63,562              | 159,515              |
| December 1, 2013 | --                               | --               | 340,000                  | 95,953              | --                                 | --              | 385,000                  | 63,563              | 884,516              |
| June 1, 2014     | --                               | --               | --                       | 89,153              | --                                 | --              | --                       | 56,825              | 145,978              |
| December 1, 2014 | --                               | --               | 360,000                  | 89,153              | --                                 | --              | 400,000                  | 56,825              | 905,978              |
| June 1, 2015     | --                               | --               | --                       | 81,953              | --                                 | --              | --                       | 48,825              | 130,778              |
| December 1, 2015 | --                               | --               | 375,000                  | 81,953              | --                                 | --              | 420,000                  | 48,825              | 925,778              |
| June 1, 2016     | --                               | --               | --                       | 74,218              | --                                 | --              | --                       | 40,425              | 114,643              |
| December 1, 2016 | --                               | --               | 395,000                  | 74,218              | --                                 | --              | 435,000                  | 40,425              | 944,643              |
| June 1, 2017     | --                               | --               | --                       | 65,578              | --                                 | --              | --                       | 31,725              | 97,303               |
| December 1, 2017 | --                               | --               | 415,000                  | 65,578              | --                                 | --              | 455,000                  | 31,725              | 967,303              |
| June 1, 2018     | --                               | --               | --                       | 56,448              | --                                 | --              | --                       | 21,487              | 77,935               |
| December 1, 2018 | --                               | --               | 440,000                  | 56,448              | --                                 | --              | 465,000                  | 21,488              | 982,936              |
| June 1, 2019     | --                               | --               | --                       | 46,548              | --                                 | --              | --                       | 11,025              | 57,573               |
| December 1, 2019 | --                               | --               | 460,000                  | 46,548              | --                                 | --              | 490,000                  | 11,025              | 1,007,573            |
| June 1, 2020     | --                               | --               | --                       | 35,968              | --                                 | --              | --                       | --                  | 35,968               |
| December 1, 2020 | --                               | --               | 485,000                  | 35,968              | --                                 | --              | --                       | --                  | 520,968              |
| June 1, 2021     | --                               | --               | --                       | 24,691              | --                                 | --              | --                       | --                  | 24,691               |
| December 1, 2021 | --                               | --               | 510,000                  | 24,691              | --                                 | --              | --                       | --                  | 534,691              |
| June 1, 2022     | --                               | --               | --                       | 12,706              | --                                 | --              | --                       | --                  | 12,706               |
| December 1, 2022 | --                               | --               | 535,000                  | 12,706              | --                                 | --              | --                       | --                  | 547,706              |
| Total            | <u>\$ 515,000</u>                | <u>\$ 14,520</u> | <u>\$ 5,975,000</u>      | <u>\$ 2,754,466</u> | <u>\$ 80,000</u>                   | <u>\$ 2,592</u> | <u>\$ 5,000,000</u>      | <u>\$ 1,651,500</u> | <u>\$ 15,993,078</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

The Refunding Sales Tax Series 2E, Sales Tax Series 2002, Refunding Series Sales Tax 2002, and Sales Tax 2005 Bond Indentures provide that all revenues of the Sales Tax Fund are pledged for purposes in the following order of priority:

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

Certificates of Indebtedness

|  |                     |
|--|---------------------|
| <p>\$1,290,000, 2003 Refunding Certificates of Indebtedness due in annual installments of principal and semi-annual installments of interest through November 1, 2010; interest on \$170,000 at 2.38%, on \$170,000 at 2.63%, on \$180,000 at 2.82%, on \$185,000 at 3.01%, and on \$200,000 at 3.17%.</p> | \$ 905,000          |
| <p>\$750,000, 2005 Series Limited Tax Certificates of Indebtedness due in annual installments of principal and semi-annual installments of interest through March 1, 2011; interest on \$115,000 at 0.1%, on \$120,000 at 0.1%, on \$125,000 at 3%, on \$135,000 at 4.95%, and on \$140,000 at 5%.</p>     | <u>635,000</u>      |
| <p>Total Certificates of Indebtedness</p>  | \$ <u>1,540,000</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Governmental Funds: (Continued)

Certificates of Indebtedness (Continued)

A schedule of the outstanding 2003 Certificates and the interest and principal requirements by date is as follows:

| <u>Due Date</u>  | <u>Principal</u>  | <u>Interest</u>  | <u>Totals</u>     |
|------------------|-------------------|------------------|-------------------|
| November 1, 2006 | \$ 170,000        | \$ 12,751        | \$ 182,751        |
| May 1, 2007      |                   | 10,728           | 10,728            |
| November 1, 2007 | 170,000           | 10,728           | 180,728           |
| May 1, 2008      |                   | 8,492            | 8,492             |
| November 1, 2008 | 180,000           | 8,492            | 188,492           |
| May 1, 2009      |                   | 5,954            | 5,954             |
| November 1, 2009 | 185,000           | 5,954            | 190,954           |
| May 1, 2010      |                   | 3,170            | 3,170             |
| November 1, 2010 | <u>200,000</u>    | <u>3,170</u>     | <u>203,170</u>    |
| Totals           | <u>\$ 905,000</u> | <u>\$ 69,439</u> | <u>\$ 974,439</u> |

A schedule of the outstanding 2005 Certificates and the interest and principal requirements by date is as follows:

| <u>Due Date</u>   | <u>Principal</u>  | <u>Interest</u>  | <u>Totals</u>     |
|-------------------|-------------------|------------------|-------------------|
| September 1, 2006 | \$                | \$ 8,834         | \$ 8,834          |
| March 1, 2007     | 115,000           | 8,834            | 123,834           |
| September 1, 2007 |                   | 8,776            | 8,776             |
| March 1, 2008     | 120,000           | 8,776            | 128,776           |
| September 1, 2008 |                   | 8,716            | 8,716             |
| March 1, 2009     | 125,000           | 8,716            | 133,716           |
| September 1, 2009 |                   | 6,841            | 6,841             |
| March 1, 2010     | 135,000           | 6,842            | 141,842           |
| September 1, 2010 |                   | 3,500            | 3,500             |
| March 1, 2011     | <u>140,000</u>    | <u>3,500</u>     | <u>143,500</u>    |
| Totals            | <u>\$ 635,000</u> | <u>\$ 73,335</u> | <u>\$ 708,335</u> |

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Governmental Funds: (Continued)

Accumulated Leave

At June 30, 2006, employees of the City have accumulated and vested \$2,520,775 of leave benefits for all governmental funds.

Proprietary Fund Types:

Water and Sewer Revenue Bonds:

\$3,930,000 Series 2003 Water & Sewer Revenue Bonds due in annual installments of principal and semiannual installments of interest through December 1, 2010; interest on the following principal payments of 2.74%: \$445,000; \$460,000; 475,000; \$495,000 and \$515,000. \$ 2,390,000

The Series 2003 Bonds were issued to refund the outstanding Series 1993 Bonds, the Series 1998A Bonds, and the Series 1998B Bonds and, therefore, the City is not required to fund the reserve fund requirement for the bonds unless the City issues additional parity bonds in the future.

A schedule of the outstanding Series 2003 Water and Sewer Revenue Refunding Bonds and the interest and principal requirements by date is as follows:

| <u>Due Date</u>  | <u>Principal</u>    | <u>Interest</u>   | <u>Totals</u>       |
|------------------|---------------------|-------------------|---------------------|
| December 1, 2006 | \$ 445,000          | \$ 32,743         | \$ 477,743          |
| June 1, 2007     |                     | 26,647            | 26,647              |
| December 1, 2007 | 460,000             | 26,647            | 486,647             |
| June 1, 2008     |                     | 20,345            | 20,345              |
| December 1, 2008 | 475,000             | 20,345            | 495,345             |
| June 1, 2009     |                     | 13,837            | 13,837              |
| December 1, 2009 | 495,000             | 13,837            | 508,837             |
| June 1, 2010     |                     | 7,056             | 7,056               |
| December 1, 2010 | <u>515,000</u>      | <u>7,056</u>      | <u>522,056</u>      |
| Totals           | <u>\$ 2,390,000</u> | <u>\$ 168,513</u> | <u>\$ 2,558,513</u> |

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Proprietary Fund Types: (Continued)

Water and Sewer Revenue Bonds: (Continued)

The Water and Sewer Revenue Refunding Bonds are secured by and payable solely from income and revenues to be derived by the City from the operations of the public waterworks and sewer plants distribution system of the City, after provisions have been made for the payment for the reasonable and necessary expenses of operating and maintaining the system.

Accumulated Leave

At June 30, 2006, employees of the City who work in the Water and Sewer Department have accumulated and vested \$260,593 of leave benefits for the proprietary funds.

Due to Other Governments

The City received Utility Relocation Assistance Funding from the State of Louisiana Department of Transportation and Development in order to relocate certain utility lines throughout the City. This funding is not considered a loan or a grant and no interest is charged; however, it must be repaid to the State. The total amount originally due to the State was \$490,276 of which ten percent of the remaining balance is due annually. No payment was made by the City during the year ended June 30, 2006. The balance due at June 30, 2006 is \$401,248 and is included on the Statement of Net Assets in Due to Other Governments. Future repayments to the State are scheduled as follows:

| <u>Year Ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2007                        | \$ <u>401,248</u> |
| Total                       | \$ <u>401,248</u> |

In addition, the City also owes the State and local governmental districts \$48,649 as of June 30, 2006.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Following is a combined schedule of annual requirements to retire all bonds and certificates as of June 30, 2006:

| Year<br>Ending<br>June 30, | Governmental Funds           |                    |                                 |                  |                     | Proprietary Funds              |                  |                    |
|----------------------------|------------------------------|--------------------|---------------------------------|------------------|---------------------|--------------------------------|------------------|--------------------|
|                            | General Obligations<br>Bonds |                    | Certificates of<br>Indebtedness |                  | Totals              | Revenue and<br>Refunding Bonds |                  |                    |
|                            | Principal                    | Interest           | Principal                       | Interest         |                     | Principal                      | Interest         | Totals             |
| 2007                       | \$ 495,000                   | \$ 477,338         | \$ 285,000                      | \$ 41,147        | \$ 1,298,485        | \$ 445,000                     | \$ 59,390        | \$ 504,390         |
| 2008                       | 550,000                      | 455,732            | 290,000                         | 36,772           | 1,332,504           | 460,000                        | 46,992           | 506,992            |
| 2009                       | 580,000                      | 433,812            | 305,000                         | 31,878           | 1,350,690           | 475,000                        | 34,182           | 509,182            |
| 2010                       | 605,000                      | 412,512            | 320,000                         | 22,807           | 1,360,319           | 495,000                        | 20,893           | 515,893            |
| 2011                       | 630,000                      | 390,469            | 340,000                         | 10,170           | 1,370,639           | 515,000                        | 7,056            | 522,056            |
| 2012                       | 655,000                      | 364,193            | --                              | --               | 1,019,193           | --                             | --               | --                 |
| 2013                       | 690,000                      | 334,355            | --                              | --               | 1,024,355           | --                             | --               | --                 |
| 2014                       | 725,000                      | 305,494            | --                              | --               | 1,030,494           | --                             | --               | --                 |
| 2015                       | 760,000                      | 276,756            | --                              | --               | 1,036,756           | --                             | --               | --                 |
| 2016                       | 795,000                      | 245,421            | --                              | --               | 1,040,421           | --                             | --               | --                 |
| 2017                       | 830,000                      | 211,946            | --                              | --               | 1,041,946           | --                             | --               | --                 |
| 2018                       | 870,000                      | 175,238            | --                              | --               | 1,045,238           | --                             | --               | --                 |
| 2019                       | 905,000                      | 135,509            | --                              | --               | 1,040,509           | --                             | --               | --                 |
| 2020                       | 950,000                      | 93,541             | --                              | --               | 1,043,541           | --                             | --               | --                 |
| 2021                       | 485,000                      | 60,659             | --                              | --               | 545,659             | --                             | --               | --                 |
| 2022                       | 510,000                      | 37,397             | --                              | --               | 547,397             | --                             | --               | --                 |
| 2023                       | <u>535,000</u>               | <u>12,706</u>      | --                              | --               | <u>547,706</u>      | --                             | --               | --                 |
|                            | <u>\$11,570,000</u>          | <u>\$4,423,078</u> | <u>\$1,540,000</u>              | <u>\$142,774</u> | <u>\$17,675,852</u> | <u>\$2,390,000</u>             | <u>\$168,513</u> | <u>\$2,558,513</u> |

11. METER DEPOSITS:

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

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2006, meter deposits amounted to \$503,371 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$671,170.

12. PENSION PLAN:

The City of Hammond contributes to the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana. The City's payroll for employees covered by the retirement systems for the year ended June 30, 2006 was \$9,942,876.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

12. PENSION PLAN: (Continued)

a. Municipal Employees' Retirement System

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

Funding Policy - Plan members are required to contribute 9.25% of their earnable compensation, and the City is required to contribute at an actuarially determined rate. The current rate is 16% of earnable compensation. The contribution requirements of plan members and the City are established and may be amended by state statute.

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

| <u>Fiscal Year</u> | Actuarial Required | Percentage      |
|--------------------|--------------------|-----------------|
|                    | Contribution       | Contributed     |
|                    | <u>Employer</u>    | <u>Employer</u> |
| June 30, 2004      | \$543,089          | 75.66%          |
| June 30, 2005      | 589,115            | 95.52%          |
| June 30 2006       | 639,419            | 91.36%          |

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

b. Firefighters' Retirement System

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

CITY OF HAMMOND  
 NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

12. PENSION PLAN: (Continued)

b. Firefighters' Retirement System (Continued)

Funding Policy - Plan members are required to contribute 8% of their earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is 18% of annual-covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

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

| <u>Fiscal Year</u> | Actuarial Required<br>Contribution<br><u>Employer</u> | Percentage<br>Contributed<br><u>Employer</u> |
|--------------------|---|--|
| June 30, 2003      | \$394,076   | 52.70%                                       |
| June 30, 2004      | 409,983   | 100.00%                                      |
| June 30, 2005      | 404,681   | 100.00%                                      |

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

The actuarial required employer contributions and the percentage contributed for the year ended June 30, 2006 is not available at this time.

c. Municipal Police Employees' Retirement System

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

Funding Policy - Plan members are required to contribute 7.5% of their annual-covered salary and the City is required to contribute 16.25% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

12. PENSION PLAN: (Continued)

c. Municipal Police Employees' Retirement System (Continued)

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

| <u>Fiscal Year</u> | Actuarial Required<br>Contribution<br><u>Employer</u> | Percentage<br>Contributed<br><u>Employer</u> |
|--------------------|---|--|
| June 30, 2004      | \$560,014   | 73.99%                                       |
| June 30, 2005      | 540,141   | 105.45%                                      |
| June 30, 2006      | 460,764   | 109.03%                                      |

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

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:

RESERVED FUND BALANCES

Governmental Funds:

Reserve for Debt Service

The debt service accounts accumulate money from various sources for the payment of interest and principal on the bonds in the following funds:

|                          |                                      |
|--------------------------|--------------------------------------|
| Other Governmental Funds | <u>Amount</u><br>\$ <u>1,725,736</u> |
|--------------------------|--------------------------------------|

Reserved for Long-Term Assets

The reserve for long-term assets represents the long-term portion of receivables from various entities in the City of Hammond in the following funds:

|                          |                   |
|--------------------------|-------------------|
| General Fund             | \$ 168,000        |
| Other Governmental Funds | <u>94,750</u>     |
| Fund Balance Reserved    | \$ <u>262,750</u> |

Reserved For Capital Projects:

The reserve for capital projects represents funds reserved for current construction projects within the City in the following funds:

|                                       |                   |
|---------------------------------------|-------------------|
| Airport Capital Projects Fund         | \$ 64,539         |
| Sales Tax 2005 Bond Construction Fund | 344,390           |
| Other Governmental Funds              | <u>25,854</u>     |
| Fund Balance Reserved                 | \$ <u>434,783</u> |

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:  
(Continued)

DESIGNATED FUND BALANCE:

Governmental Funds:

Designated For Capital Projects:

A portion of fund balance in various capital projects funds are designated for future construction projects in the following funds:

|                                       |                     |
|---------------------------------------|---------------------|
| Sales Tax 2005 Bond Construction Fund | \$ 2,354,450        |
| Other Governmental Funds              | <u>777,704</u>      |
| Fund Balance Designated               | <u>\$ 3,132,154</u> |

RESTRICTED NET ASSETS

Governmental Activities:

|                       |                     |
|-----------------------|---------------------|
| Restricted for:       |                     |
| Debt Service          | \$ 1,678,544        |
| Capital Projects      | <u>373,430</u>      |
| Net Assets Restricted | <u>\$ 2,051,974</u> |

Business-type activities

|                       |                   |
|-----------------------|-------------------|
| Restricted for:       |                   |
| Debt Service          | \$ <u>287,675</u> |
| Net Assets Restricted | <u>\$ 287,675</u> |

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim and \$100,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

14. RISK MANAGEMENT: (Continued)

The General Fund and Enterprise Fund participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverages are reported as quasi-external transactions. At June 30, 2006, the outstanding claims liability was \$882,984, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2006 and 2005 were:

|      | <u>Beginning of<br/>Year Liability</u> | <u>Current Year Claims<br/>and Estimates</u> | <u>Claim<br/>Payments</u> | <u>Balance at<br/>Year End</u> |
|------|--|--|---------------------------|--------------------------------|
| 2006 | \$ 737,408                             | \$ 1,001,842                                 | \$ 801,265                | \$ 937,985                     |
| 2005 | \$ 1,022,903                           | \$ 794,094                                   | \$ 1,079,589              | \$ 737,408                     |

15. SUPPLEMENTAL PAY:

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

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

CITY OF HAMMOND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

15. SUPPLEMENTAL PAY: (Continued)

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

As of June 30, 2006, the City has recognized \$499,089 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

16. LITIGATION AND CLAIMS:

At June 30, 2006, the City is a defendant in several lawsuits seeking damages. Possible liabilities arising from these claims and legal actions range between \$0 and \$400,000.

17. LEASES:

The City of Hammond entered into an operating lease agreement for the lease of land. The lease term is for five years with an option to renew for three five-year periods beginning March 2003. The monthly rent beginning March 2003 is \$1,711, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ending June 30, 2006 was \$19,925.

18. NOTES RECEIVABLE:

Governmental Funds

General Fund

The City of Hammond entered into a fifteen year promissory note with a partnership to assist in the renovation of a building. The value of the note is \$180,000 with an annual interest rate of 6.42%. The collateral received on the note is the renovated building. Annual payments are due to the City only to the extent that the partnership has "cash flow" as defined in the note. If "cash flow" is less than the amount of the annual installment, the amount of unpaid interest and principal is deferred, due and payable in 2014. The partnership has not made any payments as of June 30, 2006. The amount due over the next five years and beyond is as follows:

CITY OF HAMMOND  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

18. NOTES RECEIVABLE: (Continued)Governmental Funds (Continued)General Fund (Continued)

| <u>June 30</u> | <u>Amount Due</u> |
|----------------|-------------------|
| 2007           | \$ 12,000         |
| 2008           | 12,000            |
| 2009           | 12,000            |
| 2010           | 12,000            |
| 2011           | 12,000            |
| Thereafter     | <u>120,000</u>    |
| TOTAL          | <u>\$ 180,000</u> |

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the city. The terms of the loans range from five to ten years with interest rates ranging from 1.5% to 4%. As the loans are paid off, the City enters into other low interest loans with businesses in the city. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years and beyond is as follows:

| <u>June 30</u> | <u>Amount Due</u> |
|----------------|-------------------|
| 2007           | \$ 26,354         |
| 2008           | 13,633            |
| 2009           | 14,650            |
| 2010           | 15,288            |
| 2011           | 15,970            |
| Thereafter     | <u>35,209</u>     |
| TOTAL          | <u>\$ 121,104</u> |

19. COMMITMENTS:

The City of Hammond has entered into various construction contracts. The original amount of the contracts was \$4,761,802, of which \$2,911,375 has been expended as of June 30, 2006.

20. PRIOR PERIOD ADJUSTMENT:

Net assets of the governmental activities have been restated as of July 1, 2005 to record the effects of reporting infrastructure cost incurred prior to July 1, 2002. The effect of the adjustment was to increase net assets and capital assets by \$5,438,509.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMMOND  
 SUPPLEMENTARY INFORMATION  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006

|   | <u>Budgeted Amounts</u> |                     |                     | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>REVENUES:</b>  |                         |                     |                     |   |
| Taxes   | \$ 3,438,000            | \$ 3,438,000        | \$ 3,650,577        | \$ 212,577  |
| Licenses and permits  | 1,260,000               | 1,260,000           | 1,674,636           | 414,636   |
| Fines and forfeitures   | 312,750                 | 312,750             | 499,455             | 186,705   |
| Sanitation service fees   | 720,000                 | 720,000             | 741,767             | 21,767  |
| Federal grants  | -                       | -                   | 1,687,619           | 1,687,619   |
| Parks and recreation  | 138,060                 | 138,060             | 107,403             | (30,657)  |
| Interest  | 10,000                  | 10,000              | 88,279              | 78,279  |
| State supplemental pay  | 536,400                 | 536,400             | 499,089             | (37,311)  |
| Miscellaneous   | 562,800                 | 562,800             | 606,293             | 43,493  |
| Total revenues  | <u>6,978,010</u>        | <u>6,978,010</u>    | <u>9,555,118</u>    | <u>2,577,108</u>  |
| <b>EXPENDITURES:</b>  |                         |                     |                     |   |
| General government  | 3,357,396               | 3,367,313           | 4,920,224           | (1,552,911)   |
| Public safety:  |                         |                     |                     |   |
| Police  | 5,740,817               | 5,872,060           | 6,137,680           | (265,620)   |
| Fire  | 3,564,004               | 3,642,140           | 3,727,165           | (85,025)  |
| Buildings   | 1,090,135               | 1,090,352           | 962,797             | 127,555   |
| Highways and streets  | 1,566,914               | 1,573,882           | 1,494,913           | 78,969  |
| Cemeteries and municipal grounds  | 862,084                 | 859,628             | 770,682             | 88,946  |
| Sanitation  | 700,000                 | 700,000             | 643,344             | 56,656  |
| Parks and recreation  | 737,110                 | 764,333             | 617,149             | 147,184   |
| Capital outlay  | 110,150                 | 177,483             | 164,619             | 12,864  |
| Airport   | 340,448                 | 374,583             | 350,321             | 24,262  |
| Total expenditures  | <u>18,069,058</u>       | <u>18,421,774</u>   | <u>19,788,894</u>   | <u>(1,367,120)</u>  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b>                                      | <u>(11,091,048)</u>     | <u>(11,443,764)</u> | <u>(10,233,776)</u> | <u>(1,209,988)</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                         |                     |                     |   |
| Operating transfers in  | 10,825,000              | 11,086,500          | 11,086,575          | 75  |
| Operating transfers out   | (965,240)               | (965,240)           | (810,617)           | 154,623   |
| Proceeds from sale of capital assets  | -                       | -                   | 8,084               | 8,084   |
| Total other financing sources (uses)  | <u>9,859,760</u>        | <u>10,121,260</u>   | <u>10,284,042</u>   | <u>162,782</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | <u>(1,231,288)</u>      | <u>(1,322,504)</u>  | <u>50,266</u>       | <u>1,372,770</u>  |
| <b>FUND BALANCE:</b>  |                         |                     |                     |   |
| Beginning of year   | 2,465,988               | 2,465,988           | 2,465,988           | -   |
| End of year   | <u>\$ 1,234,700</u>     | <u>\$ 1,143,484</u> | <u>\$ 2,516,254</u> | <u>\$ 1,372,770</u>   |

CITY OF HAMMOND  
 SUPPLEMENTARY INFORMATION  
 SPECIAL REVENUE FUND  
 SALES TAX FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

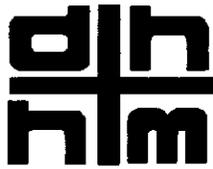
|  | <u>Budgeted Amounts</u> |                   |                     | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|-------------------------|-------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>       |   |
| <b>REVENUES:</b>   |                         |                   |                     |   |
| Sales and use tax  | \$ 12,300,000           | \$ 12,300,000     | \$ 16,548,726       | \$ 4,248,726  |
| Interest   | 20,000                  | 20,000            | 82,384              | 62,384  |
| Total revenues   | <u>12,320,000</u>       | <u>12,320,000</u> | <u>16,631,110</u>   | <u>4,311,110</u>  |
| <b>EXPENDITURES:</b>   |                         |                   |                     |   |
| General government   | -                       | -                 | -                   | -   |
| Highways and streets   | -                       | 250               | -                   | 250   |
| Cemeteries and municipal grounds   | 24,442                  | 15,892            | 4,594               | 11,298  |
| Buildings  | 190,000                 | 190,000           | 53,668              | 136,332   |
| Airport  | 20,000                  | -                 | -                   | -   |
| Parks and recreation   | 60,500                  | 69,768            | 51,854              | 17,914  |
| Capital outlay   | 224,200                 | 246,117           | 213,959             | 32,158  |
| Total expenditures   | <u>519,142</u>          | <u>522,027</u>    | <u>324,075</u>      | <u>197,952</u>  |
| Excess revenues over expenditures  | <u>11,800,858</u>       | <u>11,797,973</u> | <u>16,307,035</u>   | <u>4,509,062</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                         |                   |                     |   |
| Operating transfer in  | -                       | -                 | -                   | -   |
| Operating transfer out   | 11,847,000              | 12,101,000        | 12,101,000          | -   |
| Total other financing sources (uses)   | <u>11,847,000</u>       | <u>12,101,000</u> | <u>12,101,000</u>   | <u>-</u>  |
| Excess (deficiency) of revenues<br>and other sources over<br>expenditures and other uses | (46,142)                | (303,027)         | 4,206,035           | 4,509,062   |
| Fund balance, beginning of year  | <u>871,656</u>          | <u>871,656</u>    | <u>871,656</u>      | <u>-</u>  |
| <b>FUND BALANCE, END OF YEAR</b>   | <u>\$ 825,514</u>       | <u>\$ 568,629</u> | <u>\$ 5,077,691</u> | <u>\$ 4,509,062</u>   |

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMMOND  
SUPPLEMENTARY INFORMATION  
COMPENSATION PAID MAYOR AND CITY COUNCIL MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2006

| <u>Name</u>         | <u>Title</u>              | <u>Amount</u>     |
|---------------------|---------------------------|-------------------|
| Mayson Foster       | Mayor                     | \$ 75,500         |
| Curtis Wilson       | City Council – District 1 | 7,200             |
| Anthony Licciardi   | City Council – District 2 | 7,200             |
| Willie Jackson      | City Council – District 3 | 7,200             |
| Kathy Montecino     | City Council – District 4 | 7,200             |
| Nicholas Muscarello | City Council – District 5 | <u>7,200</u>      |
|                     |                           | <u>\$ 111,500</u> |

The schedule of compensation paid to the Mayor and City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members shall be \$600 per month. The salary of the Mayor of the City shall be \$75,500 per annum.



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112  
(504) 586-8866  
FAX (504) 525-5888  
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.  
WILLIAM G. STAMM, C.P.A.  
CLIFFORD J. GIFFIN, JR., C.P.A.  
DAVID A. BURGARD, C.P.A.  
LINDSAY J. CALUB, C.P.A., L.L.C.  
GUY L. DUPLANTIER, C.P.A.  
MICHELLE H. CUNNINGHAM, C.P.A.  
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.  
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR., C.P.A.  
(1919-1985)  
FELIX J. HRAPMANN, JR., C.P.A.  
(1919-1990)  
WILLIAM R. HOGAN, JR., C.P.A.  
(1920-1996)  
JAMES MAHER, JR., C.P.A.  
(1921-1999)

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LA C.P.A.'S

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

October 13, 2006

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond, Louisiana (the City) as of and for the year ended June 30, 2006, which collectively comprise the City of Hammond's basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. However, we noted one other matter that we have reported to the management of City of Hammond, Louisiana in a separate letter dated October 13, 2006.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of noncompliance that we reported to management of City of Hammond, Louisiana, in a separate letter dated October 13, 2006.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana 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. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.  
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REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A- 133

October 13, 2006

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

Compliance

We have audited the compliance of the City of Hammond, Louisiana (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Hammond, Louisiana, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A- 133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana 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. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

CITY OF HAMMOND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

| <u>Federal<br/>CFDA<br/>Number</u>                           | <u>Grant<br/>Number</u> |   | <u>Expenditures</u> |
|--|-------------------------|---|---------------------|
| <b><u>MAJOR FEDERAL AWARDS</u></b>                           |                         |   |                     |
| <b><u>Received directly from the federal government:</u></b> |                         |   |                     |
| <b><u>Department of Transportation</u></b>                   |                         |   |                     |
| 20.106   | 953010024               | Airport Improvement Program                               | \$ 1,308,649        |
| 20.106   | 704-99-0009             | Airport Improvement Program                               | 19,980              |
| 20.106   | 3-22-0018-012-2004      | Airport Improvement Program                               | <u>3,252</u>        |
| Total Department of Transportation                           |                         |   | <u>1,331,881</u>    |
| <b><u>Community Block Grant Management Agency</u></b>        |                         |   |                     |
| 14.228   |                         | Wetlands - Effluent Distribution                          | <u>849,199</u>      |
| <b><u>Environmental Protection Agency</u></b>                |                         |   |                     |
| 66.606   | XP-97657001-2           | Wetlands Project  | <u>410,590</u>      |
| <b><u>Passed through the State of Louisiana:</u></b>         |                         |   |                     |
| <b><u>Federal Emergency Management Agency</u></b>            |                         |   |                     |
| 97.036   | 105-32755-00            | Disaster Recovery Program                                 | <u>1,693,492</u>    |
| <b>TOTAL MAJOR PROGRAM EXPENDITURES</b>                      |                         |   | <u>4,285,162</u>    |
| <b><u>NONMAJOR FEDERAL AWARDS</u></b>                        |                         |   |                     |
| <b><u>Received directly from the federal government:</u></b> |                         |   |                     |
| <b><u>Department of Homeland Security</u></b>                |                         |   |                     |
| 83.554   | EMW-2003-FG-09161       | Assistance to Firefighters Grant Program                  | 531                 |
| 83.554   | 2005FG12870             | Assistance to Firefighters Grant Program                  | <u>63,196</u>       |
| Total Department of Homeland Security                        |                         |   | <u>63,727</u>       |
| <b><u>Department of Justice</u></b>                          |                         |   |                     |
| 16.592   | 2003-LB-BX-2604         | Local Law Enforcement Block Grants Program                | 22,827              |
| 16.738   | 2005DJBX0582            | Edward Byrne Memorial Justice Assistance<br>Grant Program | <u>17,572</u>       |
| Total Department of Justice                                  |                         |   | <u>40,399</u>       |

CITY OF HAMMOND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

| <u>Federal<br/>CFDA<br/>Number</u>                                | <u>Grant<br/>Number</u> |  | <u>Expenditures</u> |
|---|-------------------------|--|---------------------|
| <u>Received directly from the federal government (Continued):</u> |                         |  |                     |
| 20.205  | 744-53-0009             | Highway Planning and Construction  | 1,961               |
|   | 853-36-0032             | ENH-5302 (506)   |                     |
|   |                         | Total nonmajor federal awards received<br>directly from the Federal Government | <u>106,087</u>      |
| <u>Passed through the State of Louisiana:</u>                     |                         |  |                     |
| <u>Department of Homeland Security</u>                            |                         |  |                     |
| 97.067  | 2005-GE-T5-0004         | Homeland Security Grant Program  | <u>28,208</u>       |
| <u>Department of Housing &amp; Urban Development</u>              |                         |  |                     |
| 14.231  | CFMS # 610792           | Emergency Shelter Grants Program   | 12,455              |
| 14.231  | CFMS # 624489           | Emergency Shelter Grants Program   | <u>7,138</u>        |
|   |                         | Total Department of Housing & Urban Development                                | <u>19,593</u>       |
| <u>Department of Justice</u>                                      |                         |  |                     |
| 16.579  | B04-5-031               | Byrne Formula Grant Program  | 20,534              |
| 16.579  | B05-5-005               | Byrne Formula Grant Program  | 8,067               |
| 16.523  | A02-8-015               | Juvenile Accountability Incentive Block Grants                                 | 7,932               |
| 16.523  | A03-8-015               | Juvenile Accountability Incentive Block Grants                                 | 12,223              |
| 16.540  | J02-5-004               | Juvenile Justice & Delinquency Prevention -<br>Allocation to States            | 810                 |
| 16.540  | J04-5-006               | Juvenile Justice & Delinquency Prevention -<br>Allocation to States            | <u>7,956</u>        |
|   |                         | Total Department of Justice  | <u>57,522</u>       |
| <u>Department of Transportation</u>                               |                         |  |                     |
| 20.600  | PT 05-18-00             | State and Community Highway Safety   | 2,299               |
| 20.600  | PT 06-10-00             | State and Community Highway Safety   | <u>19,756</u>       |
|   |                         | Total Department of Transportation   | <u>22,055</u>       |
|   |                         | Total nonmajor federal awards passed through<br>the State of Louisiana         | <u>127,378</u>      |
|   |                         | <b>TOTAL NONMAJOR FEDERAL AWARDS<br/>EXPENDITURES</b>                          | <u>233,465</u>      |
|   |                         | <b>TOTAL FEDERAL PROGRAM EXPENDITURES</b>                                      | <u>\$ 4,518,627</u> |

CITYOF.HAMMOND  
NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2006, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

CITY OF HAMMOND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the City of Hammond for the year ended June 30, 2006 was unqualified.
2. The audit disclosed no instances of noncompliance, which were material to the financial statements of the City of Hammond.
3. An unqualified opinion was issued on compliance for major programs of the City of Hammond for the year ended June 30, 2006.

4. City of Hammond had four major programs as follows:

|  | <u>Expenditures</u> |
|--|---------------------|
| U.S. Department of Housing and Urban Development -<br>Wetlands Effluent Distribution | \$ 849,199          |
| EPA – Wetlands Project   | 410,590             |
| U.S. Department of Transportation –<br>Airport Improvements Program                  | 1,331,881           |
| U.S. Department of Transportation –<br>Airport Improvements Program                  | <u>1,693,492</u>    |
|  | <u>\$ 4,285,162</u> |

5. Type A programs are those programs with Federal awards expended during the current year ended June 30, 2006 exceeding \$300,000.
6. City of Hammond qualified as a low-risk auditee.
7. Finding Required To Be Reported Under Generally Accepted Government Auditing Standards:

Internal Control:

Reportable Condition, no material weaknesses

(06-01) The Water and Sewer Department does not have procedures in place to reconcile the aged accounts receivable subsidiary ledger with the general ledger; as such the subsidiary ledger does not agree with the general ledger. The City should have procedures in place to reconcile the subsidiary ledger with the general ledger. Not having procedures in place could result in the aged accounts receivable subsidiary ledger not agreeing with the general ledger and receivables and income could be misstated. We recommend the City develop procedures to monthly reconcile the aged accounts receivable subsidiary ledger with the general ledger.

8. Finding Required To Be Reported Under OMB Circular A-133:

None



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

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October 13, 2006

Legislative Auditor  
Engagement Processing  
Post Office Box 94397  
Baton Rouge, LA 70804

SCHEDULES AND DATA COLLECTION FORM  
SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the City of Hammond as of and for the year ended June 30, 2006 and have issued our report thereon dated October 13, 2006. 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 and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Our audit as of June 30, 2006 resulted in an unqualified opinion.

B. REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS:

Internal Control:

Material weaknesses – none noted  
Reportable condition – see finding 06-01

Compliance and Other Matters

None noted

C. FEDERAL AWARDS:

Noncompliance

None noted

D. MANAGEMENT LETTER COMMENTS:

See findings 06-02 to 06-03

## SECTION 2: FINANCIAL STATEMENT FINDINGS

### REPORTABLE CONDITION

#### INTERNAL CONTROL

##### Receivable:

- 06-01 The water and sewer department does not have procedures in place to reconcile the aged accounts receivable subsidiary ledger with the general ledger; as such the subsidiary ledger does not agree with the general ledger. The City should have procedures in place to reconcile the subsidiary ledger with the general ledger. Not having procedures in place could result in the aged accounts receivable subsidiary ledger not agreeing with the general ledger and receivables and income could be misstated. We recommend the City develop procedures to monthly reconcile the aged accounts receivable subsidiary ledger with the general ledger.

#### INTERNAL CONTROL COMMENTS:

##### Schedule of Federal Awards:

- 06-02 The Schedule of Federal Awards provided to us was difficult and time consuming to verify its accuracy. The original schedule was revised several times. In addition, the schedule included all expenditures of the project although only a portion was to be reimbursed by a federal grant. As such the schedule of expenditures was grossly overstated. The Schedule of Federal Awards should only include expenditures which will be reimbursed by a federal grant. Including additional expenditures results in an overstatement of the schedule. We recommend that the City review the schedule for its accuracy.

#### NONCOMPLIANCE:

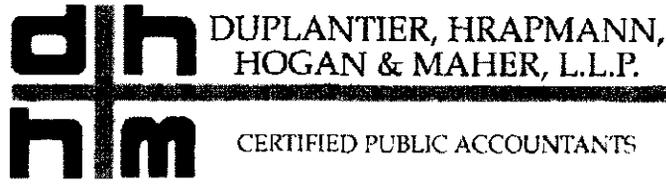
##### Louisiana Budget Act:

- 06-03 During the audit while testing the City's compliance with the Louisiana Budget Act, it was determined that the City did not amend its budget when expenditures and other uses exceeded 5% of budgeted amounts. Not amending the budget results in noncompliance with the Budget Act. We recommend the City review its budget periodically and amend it when required by law.

PRIOR YEAR FINDINGS:

- 05-01 During the prior year audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However, the City is not verifying whether or not the partnership is generating a profit each year. We recommended that the City obtain audited financial statements from the partnership each year in order to determine if it is generating a profit or a loss. The City has begun receiving financial statements on the partnership. This finding has been resolved for fiscal year ended June 30, 2006.
- 05-02 During the prior year audit it was discovered that the water and sewer department's aged accounts receivable subsidiary ledger does not agree with the general ledger. The aged accounts receivable ledger should agree with the general ledger. Not having the aged accounts receivable subsidiary ledger agree with the general ledger could result in misstating receivables and income. We recommended the City produce an aged accounts receivable that agrees to the general ledger. This finding occurred during the year ended June 30, 2006.
- 05-03 During the prior year audit it was noted that the City does not request federal funds for projects in a timely manner. In addition, on several projects the City did not request federal and state reimbursement prior to using local funds. The City should request federal and state funds in a timely manner and the City should obtain federal and state reimbursement prior to using local funds. Not requesting federal or state funds on a timely basis and not requesting reimbursement from federal or state sources prior to using local sources results in a lack of cash available for general use by the City. We recommended the City request federal or state funds on a timely basis and request reimbursement from federal or state sources prior to using local funds. This finding has been resolved for fiscal year ended June 30, 2006.
- 05-04 During the prior year audit it was discovered that the City does not have sufficient controls in place to determine the age of utility billing. As a result the City continues to bill delinquent customers for service. Not having proper controls in place to determine delinquent accounts results in an overstatement of income and receivables and a decrease in cash flow due to lack of timely collections. The City should have controls in place to determine those accounts which are delinquent in payment of their water and sewer billings. We recommended the City develop proper controls to identify customers with delinquent accounts so appropriate action can be taken. This finding has been resolved for the year ended June 30, 2006.
- 05-05 During the prior year audit it was noted that the City does not have a system in place to identify the funding source for fixed assets purchased when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds. If such fixed assets are sold, the proceeds from the sale should be returned to the entity which funded the purchase, if required by the grant agreement. Not having a system in place to identify the funding source when applicable will result in the City's inability to return funds on the sale of a fixed asset. We recommended that the City develop a system which will identify those assets purchased with federal or state funding. This finding has been resolved for the year ended June 30, 2006.

- 05-06 During the prior year audit it was noted that one contract invoice was not accrued as a payable at year end. Consequently, a grant receivable was not accrued at year end. Contract invoices should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommended that someone review the contract invoices at year end to determine proper accrual of all invoices and retainages for work performed through year end. Furthermore, we recommended that grant revenue be reviewed at year end to determine that accruals are made to match grant revenues to grant expenses. This finding has been resolved for the year ended June 30, 2006.
- 05-07 During the prior year audit it was discovered that the City's asset depreciation system does not provide a subsidiary ledger that will document depreciation expense for all assets. The depreciation expense for the current year asset additions is not reported on any subsidiary schedule. Consequently, current year depreciation must be generated from several reports. As a result, depreciation expense could be misstated. Any differences which resulted in the misstatement of depreciation expense were adjusted during the audit. We recommended that the City modify their existing depreciation program to generate a subsidiary ledger that reports depreciation expense for all City fixed assets. This finding has been resolved for the year ended June 30, 2006.
- 05-08 While conducting the prior year audit on cash disbursement procedures, we noted that there were almost two hundred voided checks during a two month period. The voided checks were a result of numerous problems, including printer mishaps, entering the wrong check numbers in the system, and printing to the wrong printer. Most of these problems occurred when the City changed to a new system. This practice allows a certain loss of control over the cash disbursement process, because disbursements should be carefully reviewed and agreed to invoices before printed. We recommended that more care be exercised during the check writing process in order to decrease the number of voided checks. This finding has been resolved for the year ended June 30, 2006.
- 05-09 While conducting cash disbursement testing, we noted that many checks were written out of sequence. Cash disbursements control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. These controls include accounting for the sequential ordering of checks as they are released for use, prior to preparation. We recommended that strict numerical control be kept over all checks issued and that checks be issued in sequence. This finding has been resolved for the year ended June 30, 2006.



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October 13, 2006

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

In planning and performing our audit of the financial statements of the City of Hammond, Louisiana for the year ended June 30, 2006 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above. However, we noted an internal control matter during the course of the audit, which we felt should be presented to management.

#### Schedule of Federal Awards:

The Schedule of Federal Awards provided to us was difficult and time consuming to verify its accuracy. The original schedule was revised several times. In addition, the schedule included all expenditures of the project although only a portion was to be reimbursed by a federal grant. As such the schedule of expenditures was grossly overstated. Since the City was granted only reimbursable type grants, the Schedule of Federal Awards should only include expenditures which are reimbursed by a federal grant. Including additional expenditures results in an overstatement of the schedule. We recommend that the City review the schedule for its accuracy.

We noted the following immaterial instance of noncompliance which we felt should be presented to management.

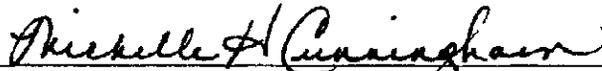
Louisiana Budget Act:

During the audit while testing the City's compliance with the Louisiana Budget Act, it was determined that the City did not amend its budget when expenditures and other uses exceeded 5% of budgeted amounts. Not amending the budget results in noncompliance with the Budget Act. We recommend the City review its budget periodically and amend it when required by law.

This report is intended for the information of the Mayor and Council of the City of Hammond, its management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



---

Michelle H. Cunningham, CPA  
Partner

MHC/ckr



Mayson H. Foster  
Mayor

December 28, 2006

Dear Mr. Theriot:

This letter is submitted in response to the findings noted by our auditors Duplantier, Hrapmann, Hogan and Maher, during the City of Hammond's audit for the fiscal period July 1, 2005 through June 30, 2006.

**INTERNAL CONTROL:**

**Receivable:**

1. The water and sewer department does not have procedures in place to reconcile the aged accounts receivable subsidiary ledger with the general ledger; as such the subsidiary ledger does not agree with the general ledger. Not having procedures in place could result in the aged accounts receivable subsidiary ledger not agreeing with the general ledger and receivables and income could be misstated. We recommend the City develop procedures to monthly reconcile the aged accounts receivable subsidiary ledger with the general ledger.

**Response:**

The City is continuing to address the challenges created with the conversion from the old ALPHA to MUNIS in March 1, 2005. The UB committee meets monthly to review the concerns of the Utility Billing Department.

The City has implemented the following plan of action to resolve UB issues. The Utility Billing Supervisor shall submit a copy of the aged accounts receivable subsidiary ledger to the Accounting Supervisor monthly. The report shall have a detail and summary listing of the receivables. The Accounting Department has designed a special report utilizing Crystal Reports Software to reconcile the subsidiary ledger and the general ledger on a monthly basis. After the reconciliation by the Accounting Supervisor, a copy will be forwarded to the Finance Director for review at the monthly UB committee meeting.

**Schedule of Federal Awards:**

2. The Schedule of Federal Awards provided to us was difficult and time consuming to verify its accuracy. The original schedule was revised several times. In addition, the schedule included all expenditures of the project although only a portion was to be reimbursed by a federal grant. As such the schedule of expenditures was grossly overstated. The schedule of Federal Awards should only include expenditures which will be reimbursed by a federal grant. Including additional expenditures results in an overstatement of the schedule. We recommend that the City review the schedule for its accuracy.

**Response:**

The City of Hammond prepares a Schedule of Grant Expenditures to account for all grant expenditures. The schedule is designed to provide the total project expenditures. The schedule has columns to detail the following: Project Number, Agency Name, CFDA Number, Name of Grant, Grant ID Number, Award Amount, Year to Date Expenditures, Federal Expenditures, and State Expenditures. The confusion may have resulted from having the amount of detail necessary for control and analysis by the accounting department. In addition, personnel changes in the grants accounting area may have played a part as well. The schedule will be reviewed monthly, by the Finance Director, Accounting Supervisor, and Grant Accountant monthly. We will present only the columns necessary for the audit in the future.

**NONCOMPLIANCE:****Louisiana Budget Act:**

3. During the audit while testing the City's compliance with the Louisiana Budget Act, it was determined that the City did not amend its budget when expenditures and other uses exceeded 5% of the budgeted amounts. Not amending the budget results in noncompliance with the Budget Act. We recommend the City review its budget periodically and amend it when required by law.

**Response:**

The City did amend the budget for two funds during the current fiscal period and believed that we were in compliance at that time. The additional amendment became necessary as result of expenditures related to Hurricane Katrina. Based on the fact that the FEMA Project Worksheets indicated that we would be reimbursed 100% for eligible disaster recovery expenditures, we created a receivable account to record all city disbursements and receipts from FEMA. We will properly classify the sources and uses of funds in the future.

Please contact me with any questions or requests for additional information you may have at (985) 542-3404 or by email at [francis\\_l@hammond.org](mailto:francis_l@hammond.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Francis, Sr.", written in a cursive style.

Larry Francis, Sr.  
Finance Director

Cc: Mayson H. Foster, Mayor  
Alma P. Mitchell, Acting City Council Clerk  
Michelle Cunningham, CPA ~ DHHM  
File