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TOWN OF KINDER, LOUISIANA

ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2004

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 1-26-05

Royce T. Scimemi, CPA, APAC
Oberlin, LA

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TOWN OF KINDER, LA.

Management's Discussion and Analysis

Within this section of the Town of Kinder, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$9,197,029 (net assets) for the fiscal year reported.
- Total revenues of \$3,815,276 exceeded total expenditures of \$3,247,254, which resulted in a current year surplus of \$568,022.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$4,939,462 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$280,498 are restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$3,977,069 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$3,559,700 this year. This compares to the prior year ending fund balance of \$3,612,593, reflecting a slight decrease of \$52,893 during the current year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,401,431, or 105% of total General Fund expenditures and 118% of total General Fund revenues including other financing sources.
- Overall, the Town continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Town's basic financial statements, which include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available. All applicable tables will present comparative data in fiscal year 2004.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Town's assets and liabilities, with the difference 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 Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base, or the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales and other ad valorem taxes, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include principally general government, public safety and streets. Business-type activities include the gas and the water and sewer systems.

The government-wide financial statements are presented on pages 17 and 18 of this report.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Town has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

The basic governmental fund financial statements are presented on pages 21 through 28 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The two Town proprietary funds are classified as enterprise funds. This enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 29 through 31 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 32 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Town's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund and the major special revenue funds. These statements and schedules demonstrate compliance with the Town's adopted and final revised budget. Required supplemental information can be found on pages 46 through 52 of this report.

As discussed, the Town reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 55.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town implemented the new financial reporting model used in this report beginning with the current fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to evaluate the changing financial position of the Town as a whole.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

The Town's net assets at fiscal year-end are \$9,197,029. The following table provides a summary of the Town's net assets:

	Governmental Activities	Business-Type Activities	Total	Percentage Total
Assets:				
Current assets and other assets	\$ 3,744,691	\$ 940,053	\$ 4,684,744	44%
Capital assets	<u>2,625,113</u>	<u>3,376,202</u>	<u>6,001,315</u>	<u>56</u>
Total assets	<u>6,369,804</u>	<u>4,316,255</u>	<u>10,686,059</u>	<u>100%</u>
Liabilities:				
Current liabilities	329,813	230,646	560,459	38%
Long-term liabilities	<u>595,950</u>	<u>332,621</u>	<u>928,571</u>	<u>62</u>
Total liabilities	<u>925,763</u>	<u>563,267</u>	<u>1,489,030</u>	<u>100%</u>
Net assets:				
Investment in capital assets, net of debt	1,925,785	3,013,677	4,939,462	54%
Restricted	280,498	-	280,498	3
Unrestricted	<u>3,237,758</u>	<u>739,311</u>	<u>3,977,069</u>	<u>43</u>
Total net assets	<u>\$ 5,444,041</u>	<u>\$ 3,752,988</u>	<u>\$ 9,197,029</u>	<u>100%</u>

The Town continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 11.35 to 1 and 4.08 to 1 for business type activities. For the Town overall, the current ratio is 8.36 to 1. These ratios are strong.

The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$973,292 for governmental activities and decreased by \$405,270 for business-type activities. The Town's overall financial position improved during the fiscal year 2004.

Note that approximately 35% of the governmental activities' net assets are tied up in capital. The Town uses these capital assets to provide services to its citizens. However, with business type activities, the Town has spent approximately 80% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 54% of the Town's total net assets are included in capital assets.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

Since this is the first year in which government-wide information is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years. The following table provides a summary of the Town's changes in net assets:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Percentage <u>Total</u>
Revenues:				
Program:				
Charges for services/fines	\$ 290,933	\$ 1,527,358	\$ 1,818,291	47%
Operating grants	479,535	-	479,535	13
Capital grants	330,062	-	330,062	9
General:				
Sales taxes	516,140	-	516,140	14
Other taxes	224,328	-	224,328	6
Interest	43,381	7,838	51,219	1
Other	<u>395,701</u>	<u>-</u>	<u>395,701</u>	<u>10</u>
Total Revenues	<u>2,280,080</u>	<u>1,535,196</u>	<u>3,815,276</u>	<u>100%</u>
Program expenses:				
General government	540,838	-	540,838	16%
Public safety:				
Police	744,886	-	744,886	23
Streets	132,150	-	132,150	4
Section 8 Housing	406,954	-	406,954	13
Interest	31,960	-	31,960	1
Utility expenses	<u>-</u>	<u>1,390,466</u>	<u>1,390,466</u>	<u>43</u>
Total Expenses	<u>1,856,788</u>	<u>1,390,466</u>	<u>3,247,254</u>	<u>100%</u>
Excess (deficiency)	423,292	144,730	568,022	
Transfers	<u>550,000</u>	<u>(550,000)</u>	<u>-</u>	
Change in net assets	973,292	(405,270)	568,022	
Beginning net assets	<u>4,470,749</u>	<u>4,158,258</u>	<u>8,629,007</u>	
Ending net assets	<u>\$ 5,444,041</u>	<u>\$ 3,752,988</u>	<u>\$ 9,197,029</u>	

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

GOVERNMENTAL REVENUES

The Town is heavily reliant on sales taxes to support governmental operations. Sales taxes equal 23% of the revenues for governmental activities. Also note that program revenues cover only 60% of governmental operating expenses. This means that the government's taxpayers and the Town's other general revenues fund 40% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the Town's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

Police services comprise 23% of the Town's total expenses and 40% of the total governmental expenses.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 540,838	\$ 442,585
Public safety:		
Police	744,886	501,097
Streets	132,150	124,534
Section 8 Housing	406,954	(13,856)
Interest on long-term debt	31,960	31,960
Total	<u>\$ 1,856,788</u>	<u>\$ 1,086,320</u>

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

The operating revenues for the utility funds were 5% less than 2003 and operating expenses 5% more than 2003. Within the total business-type activities of the Town, these activities reported a \$160,027 operating income compared to an operating income of \$307,327 for the prior year.

However, after contributed capital and transfers in and out, the fund reported a loss of \$405,270.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,559,700. Of this year-end total, \$3,356,280 is unreserved, indicating availability for continuing Town service requirements. Legally restricted fund balances (i.e., the reserved fund balances) include: \$203,420 committed to service debt.

The total ending fund balances of governmental funds show a decrease of \$52,893.

MAJOR GOVERNMENTAL FUNDS

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$144,939. In fiscal year 2003, the fund balance increased by \$141,202. However, the reader needs to remember that the Town controls these differences by the amount of resources it transfers in from the Sales Tax Fund.

The revenues show a decrease of \$143,734 or 18% over the prior year. The expenditures side shows an increase of \$104,262 or 8% over the prior year.

Although the General Fund's ending fund balance was less than the prior year, it is considered very adequate, representing the equivalent of 105% of annual expenditures.

The Sales Tax Fund continues to accumulate strong fund balances with revenues in 2004 10% more than 2003.

THE PROPRIETARY FUNDS

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term information about financial status.

BUDGETARY HIGHLIGHTS

The General Fund - Both the revenue and the expenditure side of the original budget for the General Fund was revised by \$108,221 (decrease) and \$116,901 (increase) this year. The primary change in the General Fund's revenue budget relates to the overall decrease in revenues. The expenditure budget was increased primarily for capital outlay.

The actual revenues exceeded the final budget by \$72,794 or 13% and the actual expenditures were less than the final budget by \$126,253 or 10%.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2004, was \$2,625,113 and \$3,376,202 respectively. The overall increase was 13% for the Town as a whole. See Note E for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Non-depreciable assets:						
Land	\$ 202,124	\$ 202,124	\$ 15,300	\$ 15,300	\$ 217,424	\$ 217,424
Construction in progress	<u>983,230</u>	<u>81,628</u>	-	-	<u>963,230</u>	<u>81,628</u>
Total non-depreciable	1,165,354	283,752	15,300	15,300	1,180,654	299,052
Depreciable assets:						
Buildings & plants	883,872	883,872	6,291,540	6,270,419	7,175,412	7,154,291
Furniture & equipment	775,302	622,012	-	-	775,302	622,012
Infrastructure	<u>989,216</u>	<u>985,413</u>	-	-	<u>989,216</u>	<u>985,413</u>
Total depreciable assets	2,648,390	2,491,297	6,291,540	6,270,419	8,939,930	8,761,716
Less accumulated depreciation	<u>1,188,631</u>	<u>1,085,020</u>	<u>2,930,638</u>	<u>2,676,858</u>	<u>4,119,269</u>	<u>3,761,878</u>
Book value-depreciable assets	<u>\$ 1,459,759</u>	<u>\$ 1,406,277</u>	<u>\$ 3,360,902</u>	<u>\$ 3,593,561</u>	<u>\$ 4,820,661</u>	<u>\$ 4,999,838</u>
Percentage depreciated	45%	44%	47%	43%	46%	43%
Book value-all assets	<u>\$ 2,625,113</u>	<u>\$ 1,690,029</u>	<u>\$ 3,376,202</u>	<u>\$ 3,608,861</u>	<u>\$ 6,001,315</u>	<u>\$ 5,298,890</u>

At June 30, 2004, the depreciable capital assets for governmental activities were 45% depreciated. This compares approximately to the June 30, 2003 percentage. This comparison indicates that the Town is replacing its assets at approximately the same rate as they are depreciating which is a positive indicator.

The major addition of \$881,602 to construction in progress is the new municipal city hall.

With the Town's business type activities, 47% of the asset values were depreciated at June 30, 2004 compared to 43% at June 30, 2003.

Long-term debt

At the end of the fiscal year, the Town had total bonded debt outstanding of \$1,027,525. All of this amount is backed by the full faith and credit of the Town (general obligation bonds) with debt service funded by sales taxes and enterprise fund revenue.

During the year, the Town retired \$118,445 of the outstanding debt balance. See Note H for additional information regarding long-term debt.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

ECONOMIC CONDITIONS AFFECTING THE TOWN

Since the primary revenue stream for the Town is sales taxes, the Town's sales tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town Clerk, John Taylor, P.O. Drawer AH, Kinder, LA 70648.

ROYCE T. SCIMEMI, CPA, APAC



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INDEPENDENT AUDITOR'S REPORT

December 22, 2004

To the Honorable Estes LeDoux, Mayor and Members of the Town Council
Town of Kinder, Louisiana

I have audited the accompanying basic government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the Town of Kinder, Louisiana, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Town of Kinder, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Kinder, Louisiana, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2004 on my consideration of the Town of Kinder, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 my audit.

As described in Note B to the financial statements, the Town of Kinder, Louisiana adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No. 38 Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. This results in a change in the format and content of the basic financial statements.

Town of Kinder, LA
December 22, 2004

The Management's Discussion and Analysis and the required supplemental information on pages 4 through 13 and pages 46 through 52, respectively, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town's basic financial statements. The other supplemental information on pages 55 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Kinder, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Royce T. Scimemi, CPA, APAC

Royce T. Scimemi, CPA, APAC

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Town of Kinder, LA
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 3,193,741	\$ 552,701	\$ 3,746,442
Receivables	422,297	184,931	607,228
Restricted cash	128,653	119,285	247,938
Restricted investments	-	83,020	83,020
Restricted receivables	-	116	116
Capital assets:			
Land	202,124	15,300	217,424
Construction in progress	963,230	-	963,230
Capital assets, net	<u>1,459,759</u>	<u>3,360,902</u>	<u>4,820,661</u>
Total assets	<u>6,369,804</u>	<u>4,316,255</u>	<u>10,686,059</u>
LIABILITIES			
Accounts and other accrued payables	184,991	71,902	256,893
Accrued compensated absences	34,167	-	34,167
Customer meter deposits	-	128,840	128,840
Interest payable	7,274	-	7,274
Long-term liabilities:			
Due within one year	103,381	29,904	133,285
Due after one year	<u>595,950</u>	<u>332,621</u>	<u>928,571</u>
Total liabilities	<u>925,763</u>	<u>563,267</u>	<u>1,489,030</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,925,785	3,013,677	4,939,462
Restricted for:			
Debt service	203,420	-	203,420
Capital projects	77,078	-	77,078
Unrestricted	<u>3,237,758</u>	<u>739,311</u>	<u>3,977,069</u>
Total net assets	<u>\$ 5,444,041</u>	<u>\$ 3,752,988</u>	<u>\$ 9,197,029</u>

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

TOWN OF KINDER, LOUISIANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			
Activities	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:				\$	\$	\$
General and administrative	540,838	98,253	-	(442,585)	-	(442,585)
Streets	132,150	-	7,616	(124,534)	-	(124,534)
Police	744,886	192,680	51,109	(501,097)	-	(501,097)
Section 8 housing	406,954	-	420,810	13,856	-	13,856
Interest on long-term debt	31,960	-	-	(31,960)	-	(31,960)
Total Governmental	1,856,788	290,933	479,535	(1,086,320)	-	(1,086,320)
Activities						
Business-Type activities:						
Water and sewer	547,783	628,499	-	-	80,716	80,716
Gas	842,683	898,859	-	-	56,176	56,176
Total Business-Type	1,390,466	1,527,358	-	-	136,892	-
Activities	<u>1,390,466</u>	<u>1,527,358</u>	<u>-</u>	<u>(1,086,320)</u>	<u>136,892</u>	<u>(949,428)</u>
Total	<u>\$ 3,247,254</u>	<u>\$ 1,818,291</u>	<u>\$ 479,535</u>			
General revenues:						
Taxes -						
Property taxes, levied for general purposes				127,470	-	127,470
Sales and use taxes, levied for general purposes				516,140	-	516,140
Franchise taxes				87,363	-	87,363
State revenue sharing				9,495	-	9,495
Grants and contributions not restricted to specific programs						
Federal and State sources				330,062	-	330,062
Local sources				324,547	-	324,547
Interest and investment earnings				43,381	7,838	51,219
Miscellaneous				71,154	-	71,154
Transfers				550,000	(550,000)	-
Total general revenues				<u>2,059,612</u>	<u>(542,162)</u>	<u>1,517,450</u>
Change in net assets				973,292	(405,270)	568,022
Net assets - Beginning				4,470,749	4,158,258	8,629,007
Net assets - Ending				<u>\$ 5,444,041</u>	<u>\$ 3,752,988</u>	<u>\$ 9,197,029</u>

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

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipt and use of proceeds of the Town's sales and use tax. Seventy-five percent of such proceeds are to be used for capital improvement and retirement of the \$326,462 Sales Tax Refunding Bonds. The remaining twenty-five percent is to be used for repairs and maintenance.

Section 8 Housing Fund

To account for the receipt and expenditure of federal financial assistance for low-income housing.

Gaming Revenue Fund

To account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

Capital Projects Fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Municipal Building Construction Fund

To account for financial resources to be used for the construction of a new city hall.

Enterprise Funds

Water and Sewer Fund

To account for the provision of water and sewerage services to residents of the Town. 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.

Gas Fund

To account for the provision of gas to residents of the Town. 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.

TOWN OF KINDER, LOUISIANA
Balance Sheet-
Governmental Funds
June 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Section 8 Housing Fund</u>	<u>Gaming Fund</u>
ASSETS				
Cash	\$ 1,253,752	\$ 864,003	\$ 119,281	\$ 412,098
Receivables:				
Taxes	-	68,762	-	-
Leases	-	-	-	-
Gaming	-	-	-	77,962
Interest	3,044	655	-	-
Accounts	19,354	-	-	-
Special assessments	-	2,268	-	-
Other	8,090	4,600	-	-
Due from other funds	-	116,763	-	-
Due from other governments	24,307	-	-	-
Restricted assets:				
Cash	<u>128,653</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,437,200</u>	<u>\$ 1,057,051</u>	<u>\$ 119,281</u>	<u>\$ 490,060</u>

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

<u>Municipal Building Construction Fund</u>	<u>Other Governmental</u>	<u>Totals</u>
\$ 88,480	\$ 456,127	\$ 3,193,741
-	20,630	89,392
-	1,578	1,578
-	-	77,962
-	-	3,699
-	-	19,354
-	-	2,268
-	-	12,690
-	1,200	117,963
13,941	59,143	97,391
<u>-</u>	<u>-</u>	<u>128,653</u>
<u>\$ 102,421</u>	<u>\$ 538,678</u>	<u>\$ 3,744,691</u>

Continued

TOWN OF KINDER, LOUISIANA
Balance Sheet-
Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Section 8 Housing Fund</u>	<u>Gaming Fund</u>
LIABILITIES				
Accounts payable	\$ 34,805	\$ -	\$ -	\$ -
Due to other funds	964	-	-	-
Deferred revenue	-	850	-	-
TOTAL LIABILITIES	<u>35,769</u>	<u>850</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for debt service	-	-	-	-
Unreserved, undesignated	<u>1,401,431</u>	<u>1,056,201</u>	<u>119,281</u>	<u>490,060</u>
Total fund balances	<u>1,401,431</u>	<u>1,056,201</u>	<u>119,281</u>	<u>490,060</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,437,200</u>	<u>\$ 1,057,051</u>	<u>\$ 119,281</u>	<u>\$ 490,060</u>

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

Municipal Building Construction Fund	Other Governmental	Totals
\$ 44,107	\$ 88	\$ 79,000
-	104,177	105,141
-	-	850
<u>44,107</u>	<u>104,265</u>	<u>184,991</u>
-	203,420	203,420
<u>58,314</u>	<u>230,993</u>	<u>3,356,280</u>
<u>58,314</u>	<u>434,413</u>	<u>3,559,700</u>
<u>\$ 102,421</u>	<u>\$ 538,678</u>	<u>\$ 3,744,691</u>

TOWN OF KINDER, LOUISIANA
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Assets
 June 30, 2004

Total fund balance for governmental funds at June 30, 2004:		\$ 3,559,700
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 202,124	
Construction in progress	963,230	
Capital assets, net of \$1,188,631 accumulated depreciation	<u>1,459,759</u>	2,625,113
Long-term liabilities at June 30, 2004:		
Certificates of indebtedness payable	(665,000)	
Capital lease obligations	(34,331)	
Accrued interest payable	(7,274)	
Compensated absences payable	<u>(34,167)</u>	<u>(740,772)</u>
Total net assets of governmental activities at June 30, 2004		<u>\$ 5,444,041</u>

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

TOWN OF KINDER, LOUISIANA
Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Section 8 Housing Fund</u>	<u>Gaming Fund</u>
REVENUES				
Taxes	\$ 214,833	\$ 397,048	\$ -	\$ -
Licenses and permits	98,253	-	-	-
Intergovernmental	60,604	7,616	420,810	-
Fines	192,680	-	-	-
Special assessments	-	-	-	-
Leases	-	-	-	-
Interest	22,703	11,402	722	2,586
Miscellaneous	45,550	1,000	-	-
Gaming	-	-	-	324,547
	<u>634,623</u>	<u>417,066</u>	<u>421,532</u>	<u>327,133</u>
TOTAL REVENUES				
EXPENDITURES				
General government	389,309	80,364	28	-
Public safety:				
Police	711,644	-	-	-
Streets	119,143	-	-	-
Section 8 housing	-	-	406,926	-
Capital outlay	116,407	38,233	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
	<u>1,336,503</u>	<u>118,597</u>	<u>406,954</u>	<u>-</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(701,880)</u>	<u>298,469</u>	<u>14,578</u>	<u>327,133</u>
OTHER FINANCING SOURCES (USES)				
Capital lease financing	8,755	-	-	-
Operating transfers	548,186	(348,673)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>556,941</u>	<u>(348,673)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES				
	<u>(144,939)</u>	<u>(50,204)</u>	<u>14,578</u>	<u>327,133</u>
Fund Balances, Beginning				
	<u>1,546,370</u>	<u>1,106,405</u>	<u>104,703</u>	<u>162,927</u>
Fund Balances, Ending				
	<u>\$ 1,401,431</u>	<u>\$ 1,056,201</u>	<u>\$ 119,281</u>	<u>\$ 490,060</u>

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

Municipal Building Construction Fund	Other Governmental	Totals
\$ -	\$ 119,092	\$ 730,973
-	-	98,253
270,919	59,143	819,092
-	-	192,680
-	9,116	9,116
-	170	170
1,477	4,491	43,381
108	6,455	53,113
-	-	<u>324,547</u>
<u>272,504</u>	<u>198,467</u>	<u>2,271,325</u>
29	13,821	483,551
-	-	711,644
-	-	119,143
-	-	406,926
881,601	2,455	1,038,696
-	90,000	90,000
-	<u>33,013</u>	<u>33,013</u>
<u>881,630</u>	<u>139,289</u>	<u>2,882,973</u>
<u>(609,126)</u>	<u>59,178</u>	<u>(611,648)</u>
-	-	8,755
<u>255,050</u>	<u>95,437</u>	<u>550,000</u>
<u>255,050</u>	<u>95,437</u>	<u>558,755</u>
<u>(354,076)</u>	<u>154,615</u>	<u>(52,893)</u>
<u>412,390</u>	<u>279,798</u>	<u>3,612,593</u>
<u>\$ 58,314</u>	<u>\$ 434,413</u>	<u>\$ 3,559,700</u>

TOWN OF KINDER, LOUISIANA
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances-Governmental Funds to the Statement of Activities
 Year Ended June 30, 2004

Total net changes in fund balances at June 30, 2004 per
 Statement of Revenues, Expenditures and Changes in Fund Balances \$ (52,893)

The change in net assets reported for governmental activities in the
 statement of activities is 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.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,038,696	
Depreciation expense for the year ended June 30, 2004	<u>(103,611)</u>	935,085

Governmental funds report certificate of indebtedness repayments
 and capital lease principal payments as expenditures. However,
 this expenditure does not appear in the statement of activities
 since the payment is applied against the certificate of indebtedness
 on the statement of net assets

101,821

Governmental funds report capital lease financing as revenues.
 However, this revenue does not appear in the statement of activities
 since the debt is reported on the statement of net assets

(8,755)

Difference between interest on long-term debt on modified accrual
 basis versus interest on long-term debt on accrual basis

1,053

Governmental funds do not report compensated absences as expenditures.
 However, this payable does appear in the Statement of Activities since
 the payable is reported on the Statement of Net Assets

(3,019)

Total changes in net assets at June 30, 2004 per Statement of Activities \$ 973,292

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

TOWN OF KINDER, LOUISIANA
Statement of Net Assets-Proprietary Funds
June 30, 2004

	Business-Type Activities		
	Water and Sewer Fund	Gas Fund	Total
ASSETS			
Current assets			
Cash	\$ 393,668	\$ 159,033	\$ 552,701
Receivables:			
Account	55,020	129,653	184,673
Accrued interest	170	88	258
Total current assets	448,858	288,774	737,632
Restricted assets			
Bond and interest redemption:			
Cash	361	-	361
Bond reserve:			
Cash	26,307	-	26,307
Depreciation and contingency:			
Investments	26,606	-	26,606
Customer deposits			
Cash	25,885	66,732	92,617
Investments	16,986	39,428	56,414
Accrued interest receivable	30	86	116
Total restricted assets	96,175	106,246	202,421
Capital assets:			
Land	15,300	-	15,300
Capital assets, net	3,097,720	263,182	3,360,902
Total capital assets	3,113,020	263,182	3,376,202
TOTAL ASSETS	\$ 3,658,053	\$ 658,202	\$ 4,316,255
LIABILITIES			
Accounts payable	\$ 17,344	\$ 41,176	\$ 58,520
Due to other funds	7,566	5,056	12,622
Due to other governments	-	760	760
Customer meter deposits	45,030	83,810	128,840
Long-term liabilities:			
Due within one year	29,904	-	29,904
Due after one year	332,621	-	332,621
Total liabilities	432,465	130,802	563,267
NET ASSETS			
Invested in capital assets, net of related debt	2,750,495	263,182	3,013,677
Unrestricted	475,093	264,218	739,311
Total net assets	\$ 3,225,588	\$ 527,400	\$ 3,752,988

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

TOWN OF KINDER, LOUISIANA
Statement of Revenues, Expenses
and Changes in Net Assets -Proprietary Funds
Year Ended June 30, 2004

	Business-Type Activities		
	Water & Sewer Fund	Gas Fund	Total
OPERATING REVENUES			
Charges for services	\$ 627,090	\$ 898,815	\$ 1,525,905
Miscellaneous	1,409	44	1,453
Total Operating Revenues	628,499	898,859	1,527,358
OPERATING EXPENSES			
Audit fees	3,456	3,456	6,912
Contract labor	9,900	12,492	22,392
Depreciation	238,779	15,001	253,780
Dues	1,118	125	1,243
Engineering fees	8,393	3,176	11,569
Insurance	11,131	15,561	26,692
Materials and supplies	15,578	5,310	20,888
Miscellaneous	2,194	3,104	5,298
Office supplies	5,837	2,608	8,445
Salaries	41,660	77,642	119,302
Payroll taxes	3,099	5,698	8,797
Professional services	12,700	1,320	14,020
Production survey	-	5,727	5,727
Retirement	675	1,417	2,092
Repairs and maintenance	18,160	11,405	29,565
Safety inspection	-	2,513	2,513
Travel	1,953	3,043	4,996
Utilities	46,200	500	46,700
Water and gas purchases	115,058	661,342	776,400
Total Operating Expenses	535,891	831,440	1,367,331
OPERATING INCOME (LOSS)	92,608	67,419	160,027
NON-OPERATING REVENUES (EXPENSES)			
Bad debt (expense) recovery	7,060	(11,243)	(4,183)
Interest income	4,593	3,245	7,838
Interest expense	(18,952)	-	(18,952)
Total Non-Operating Revenues (Expenses)	(7,299)	(7,998)	(15,297)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	85,309	59,421	144,730
OTHER FINANCING SOURCES (USES)			
Operating transfers	(350,000)	(200,000)	(550,000)
CHANGES IN NET ASSETS	(264,691)	(140,579)	(405,270)
NET ASSETS, BEGINNING	3,490,279	667,979	4,158,258
NET ASSETS, ENDING	\$ 3,225,588	\$ 527,400	\$ 3,752,988

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

TOWN OF KINDER, LOUISIANA
Statement of Cash Flows –
Proprietary Funds
Year Ended June 30, 2004

	Business-Type Activities	
	Water & Sewer Fund	Gas Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 629,631	\$ 899,602
Payments to suppliers	(268,514)	(752,837)
Payments to employees	(41,660)	(77,642)
Net cash from operating activities	319,457	69,123
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earnings	4,203	912
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bad debt expense recovery	7,060	(11,243)
Interest paid on bonds	(18,952)	-
Principal paid on bonds	(28,445)	-
Purchase of fixed assets	(17,809)	(3,313)
Net cash from capital activities	(58,146)	(14,556)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	(350,000)	(200,000)
Net cash from non-capital financing activities	(350,000)	(200,000)
NET INCREASE (DECREASE) IN CASH	(84,486)	(144,521)
CASH – BEGINNING	530,707	370,286
CASH – ENDING	\$ 446,221	\$ 225,765
Reconciliation of operating income (loss) to net cash from operating activities:		
Operating income (loss)	\$ 92,608	\$ 67,419
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	238,779	15,001
(Increase) decrease in receivables	1,132	743
(Increase) decrease in accrued interest receivable	(8)	(4)
Increase (decrease) in accounts payable	(3,614)	2,604
Increase (decrease) in customer deposits	(9,440)	(16,640)
Net cash from operating activities	\$ 319,457	\$ 69,123

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

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kinder, Louisiana, was created under the provisions of the Lawrason Act. The purpose of the Town is to provide services to its citizens, which include sewer, water and gas utilities; police protection and other services. The Town has a board of five elected council members who are compensated. The Town is located in Allen Parish, Louisiana and its population is approximately 2,300. There are approximately 30 employees working for the Town.

1. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Kinder, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Kinder, LA. for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Kinder, LA (the primary government) and its component units. By applying the above requirements, the Town has no component units.

2. Basis of Presentation

The accompanying basic financial statements of the Town of Kinder, LA. have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Town are classified into three categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or if the total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund is at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major funds:

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

The Sales Tax Fund is used to account for the receipt and use of proceeds of the Town's sales and use tax. Seventy-five percent of such proceeds are to be used for capital improvement and retirement of the \$326,462 Sales Tax Refunding Bonds. The remaining twenty-five percent is to be used for repairs and maintenance.

The Section 8 Housing Fund is used to account for the receipt and expenditure of federal financial assistance for low-income housing.

The Gaming Revenue Fund is used to account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

The Municipal Building Construction Fund is used to account for financial resources to be used for the construction of a new city hall.

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

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The Town applies all applicable FASB pronouncements in accounting and reporting for its proprietary fund.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Town Council. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

TOWN OF KINDER, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 June 30, 2004

The Town Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the government's council.

Expenditures may not legally exceed budgeted appropriations at the activity level.

The original budget was adopted on June 30, 2003 and is reflected in the budget comparisons. There was one amendment during the year.

5. Deposits and Investments

Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits as well as those investments with a maturity date of 90 days or less.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana. LAMP generates a local government investment pool.

Governmental Accounting Standards Board Statement 3 (GASB-3) concludes that deposits with financial institutions should be evaluated for risk and classified in one of the three following categories:

Category 1 – Insured or collateralized with securities held by the government entity or by the agent in the name of the governmental entity.

Category 2 – Collateralized with securities held by the pledging institution's trust department or agent in the governmental entity's name.

Category 3 – Uncollateralized, including any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name.

These deposits are stated at cost, which approximates market. 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 pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the Town has \$4,146,831 in deposits (collected bank balances). These deposits are secured from risk by \$330,497 of federal deposit insurance and \$5,880,874 of pledged securities held by the custodial banks in the name of the fiscal agent banks (Category 1).

Investments

The Town's investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. The Town's investment program is limited to purchases of securities issued or guaranteed by the U.S. government and its agencies.

Carrying amounts at June 30, 2004 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. Treasury and agency obligations held by the Town or the Town's agent in the Town's name (Category 1)	<u>\$ 83,020</u>	<u>\$ 83,020</u>	<u>\$ 83,020</u>

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

6. Interfund Receivables/Payables

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

7. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for gas, water and sewer user fees in the Enterprise Funds. The Town's ability to collect the amounts due from the users of the Town gas, water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

8. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their 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. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 years
Equipment and Furniture	3-40 years
Sewerage plant and improvements	20-66 years
Infrastructure	25-40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

9. Statement of Cash Flows

For the purpose of the statement of cash flows, for the enterprise fund, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$671,986 which represents unrestricted and restricted amounts of \$552,701 and \$119,285, respectively.

10. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43,

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

The Town has the following policy relating to vacation and sick leave:

Employees of the Town receive 80 hours to 200 hours vacation leave each year, depending on their length of service. Unused vacation leave of one year can be accumulated. Upon termination, the employee is entitled to any unused vacation leave. In addition, employees may accumulate up to 240 hours sick leave. Only employees retiring at or after age 65 are entitled to any unused sick leave.

At June 30, 2004, employees of the Town have accumulated \$34,167 in leave privileges, computed in accordance with GASB Statement No. 16.

11. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and capital lease payables.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

12. Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

14. Sales Taxes

1 % Sales Tax

Proceeds of a 1% sales and use tax levied by the Town are dedicated to the following purposes:

1. 75% to be used for capital improvements.
2. 25% to be used for repairs and maintenance.

The tax expires on June 30, 2023.

.3% Sales Tax

Proceeds of the .3% sales tax and use tax levied by the Town are dedicated for the construction of a library within the Town's boundaries and payment of the corresponding \$550,000 certificate of indebtedness.

The tax expires on December 31, 2007.

15. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of sales tax collector and are recognized as revenue at that time. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Town primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfer is authorized by the Town.

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

17. Environmental Remediation Costs

The Town of Kinder, Louisiana accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Note B – Changes in Accounting Principles

For the year ended June 30, 2004, the Town has implemented GASB Standard No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting the Town’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The Town also implemented GASB Standard No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at June 30, 2003 to be restated in terms of “net assets” as follows:

Total fund balances – Governmental Funds at June 30, 2003		\$ 3,612,593
Add: Cost of capital assets at June 30, 2003	\$ 2,775,049	
Less: Accumulated depreciation at June 30, 2003	<u>1,085,020</u>	1,690,029
Less: Capital lease obligations at June 30, 2003	(37,398)	
Compensated absences payable at June 30, 2003	(31,148)	
Certificate of indebtedness payable at June 30, 2003	(755,000)	
Accrued interest payable at June 30, 2003	<u>(8,327)</u>	<u>(831,873)</u>
Net assets at June 30, 2003		<u>\$ 4,470,749</u>

NOTE C - PROPERTY TAXES

For the year ended June 30, 2004 taxes of 15.12 mills were levied on property with assessed valuations totaling \$8,310,555 and were dedicated as follows:

General corporate purposes	15.12 mills
----------------------------	-------------

Total taxes levied were \$125,656.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

NOTE D - RECEIVABLES

The following is a summary of receivables for June 30, 2004:

<u>Class of Receivable:</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Taxes:		
Sales and use	\$ 89,392	\$ -
Intergovernmental	97,391	-
Interest	3,699	374
Gaming	77,962	-
Leases	1,578	-
Charges for services	19,354	184,673
Other	12,690	-
Special Assessments	2,268	-
Other Funds	<u>117,963</u>	-
Total	<u>\$ 422,297</u>	<u>\$ 185,047</u>

Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

Note E – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Land	\$ 202,124	\$ -	\$ -	\$ 202,124
Buildings	883,872	-	-	883,872
Equipment and Furniture	622,012	153,290	-	775,302
Infrastructure	985,413	3,803	-	989,216
Construction In Progress	<u>81,628</u>	<u>881,602</u>	-	<u>963,230</u>
Totals at historical cost	2,775,049	1,038,695	-	3,813,744
Less accumulated depreciation for:				
Buildings	213,408	17,129	-	230,537
Equipment and Furniture	391,256	62,761	-	454,017
Infrastructure	<u>480,356</u>	<u>23,721</u>	-	<u>504,077</u>
Total accumulated depreciation	<u>1,085,020</u>	<u>103,611</u>	-	<u>1,188,631</u>
Governmental activities Capital Assets, Net	<u>\$ 1,690,029</u>	<u>\$ 935,084</u>	<u>\$ -</u>	<u>\$ 2,625,113</u>
Business-Type Activities:				
Land	\$ 15,300	\$ -	\$ -	\$ 15,300
Water & sewage system	5,702,842	17,808	-	5,720,650
Gas system	<u>567,577</u>	<u>3,313</u>	-	<u>570,890</u>
Totals at historical cost	6,285,719	21,121	-	6,306,840
Less accumulated depreciation for:				
Water & sewage system	2,384,151	238,779	-	2,622,930
Gas system	<u>292,707</u>	<u>15,001</u>	-	<u>307,708</u>
Total accumulated depreciation	<u>2,676,858</u>	<u>253,780</u>	-	<u>2,930,638</u>
Business-type activities Capital Assets, net	<u>\$ 3,608,861</u>	<u>\$ (232,659)</u>	<u>\$ -</u>	<u>\$ 3,376,202</u>

TOWN OF KINDER, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 June 30, 2004

Depreciation expense for the year ended June 30, 2004 was \$103,611 and \$253,780 for the Governmental Activities and the Business Type Activities, respectively.

Depreciation Expense was charged to governmental activities as follows:

General and administrative		\$ 57,362
Streets		23,721
Police		<u>22,528</u>
		<u>\$ 103,611</u>

The Construction in progress of \$963,200 at June 30, 2004 consists of total cost to date for the construction of a new municipal building. The project is expected to be completed by early 2005 with additional costs to complete being approximately \$400,000.

NOTE F - ACCOUNTS PAYABLES

The following is a summary of payables at June 30, 2004:

<u>Class of Payable:</u>	Governmental Activities <u>Fund</u>	Business Activities <u>Funds</u>
Intergovernmental	\$ -	\$ 760
Other	850	-
Accounts	79,000	58,520
Other Funds	<u>105,141</u>	<u>12,622</u>
Total	<u>\$ 184,991</u>	<u>\$ 71,902</u>

NOTE G - PENSION PLAN

All employees of the Town are members of the Federal Social Security System.

Police officers of the Town are eligible to participate Municipal Police Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to the plan follows:

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

System for the year ending June 30, 2004, 2003, and 2002 were 16,657, \$16,754, and \$18,082, respectively. These amounts are equal to the required contributions for each year.

NOTE H - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 follows:

	<u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>End of Year</u>
Governmental Activities:				
Bonds payable:				
General Obligation	\$ 755,000	\$ -	\$ (90,000)	\$ 665,000
Other Liabilities:				
Accrued Leave Benefits	31,148	3,019	-	34,167
Capital Lease Obligations	37,398	-	(3,067)	34,331
	<u>68,546</u>	<u>3,019</u>	<u>(3,067)</u>	<u>68,498</u>
Governmental Activities Long-Term Liabilities	<u>\$ 823,546</u>	<u>\$ 3,019</u>	<u>\$ (93,067)</u>	<u>\$ 733,498</u>
Business type Activities:				
Bonds Payable	<u>\$ 390,970</u>	<u>\$ -</u>	<u>\$ (28,445)</u>	<u>\$ 362,525</u>

The payments on the bonds payable are made by the debt service funds. The accrued leave benefits liability will be paid by the General Fund. The capital lease obligations liability will be paid by the General Fund. General obligation bonds, revenue bonds, certificates of indebtedness, et cetera, are comprised of the following individual issues:

Revenue Bonds:

\$329,000 Sewer revenue bonds dated 02/28/94; due in annual installments of \$3,486 - \$25,312 through February 28, 2014; interest at 5%	\$ 205,639
\$251,000 Sewer revenue bonds dated 02/28/94; due in annual installments of \$2,660 - \$19,311 through February 28, 2014; interest at 5%	156,886

Certificates of Indebtedness:

\$550,000 Certificate of indebtedness dated 04/01/98; due in annual installments of \$50,000 - \$75,000 through April 1, 2007; interest at 4.75% (this issue secured by .3% sales tax)	210,000
\$425,000 Certificate of indebtedness dated 07/01/02; due in annual installments of \$20,141 - \$49,975 through April 1, 2017; interest at 4.75% (this issue secured by .3% sales tax but subordinate to \$550,000 certificate of indebtedness)	410,000
\$75,000 Certificate of indebtedness dated 07/01/02; due in annual installments of \$15,000 through April 1, 2007; interest at 0% (this issue secured by .3% sales tax but subordinate to \$550,000 certificate of indebtedness)	45,000

Capital Lease Payable:

\$8,755 Capital lease payable dated 02/09/04, due in annual installments of \$3,819 through February 20, 2007; interest at 18% (secured by Canon copier)	8,041
\$43,309 Capital lease payable dated 11/27/02; due in annual installments of \$12,031 through October 27, 2006; interest at 5.5% (secured by a Case loader)	26,290
<u>Accrued Leave Payable</u>	<u>34,167</u>
Total	<u>\$1,096,023</u>

TOWN OF KINDER, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 June 30, 2004

The annual requirements to amortize all bonds, certificates of indebtedness, and capital leases outstanding at June 30, 2004, is as follows:

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Totals</u>
2005	\$ 167,455	\$ 49,360	\$ 216,815
2006	140,936	43,147	184,083
2007	144,500	36,643	181,143
2008	64,747	30,463	95,210
2009-2013	377,373	100,878	478,251
2014-2017	<u>201,012</u>	<u>21,248</u>	<u>222,260</u>
Totals	<u>\$1,096,023</u>	<u>\$ 281,739</u>	<u>\$1,377,762</u>

In accordance with R.S. 39:562, the Town is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the Town. At June 30, 2004 the statutory limit is \$2,908,694.

NOTE I - COMPONENTS OF RESTRICTED ASSETS

<u>Totals</u>	<u>General Fund</u>	<u>Revenue Bond Sinking</u>	<u>Revenue Bond Reserve</u>	<u>Revenue Bond Contingency</u>	<u>Customer Deposits</u>	<u>Totals</u>
Cash and investments	\$ 128,653	\$ 361	\$ 26,307	\$ 26,606	\$ 149,031	\$330,958
Interest Receivable	-	-	-	-	116	116
	<u>\$ 128,653</u>	<u>\$ 361</u>	<u>\$ 26,307</u>	<u>\$ 26,606</u>	<u>\$ 149,147</u>	<u>\$331,074</u>

General Fund:

Restricted assets in the General Fund consist of cash accounts which may be used only for certain purposes. These funds can only be used for specific law enforcement expenditures.

Sewer Revenue Bonds:

Under the terms of the bond indenture on outstanding Sewer Revenue Bonds dated February 28, 1997 all income and revenues earned or derived from operation of the Sewer System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Each month there will be set aside into a "Bond and Interest Redemption Account" an amount equal to the principal and interest falling due on the next payment date. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used for such payments. There shall also be set aside into a "Bond Reserve Account" and amount equal to 5% of the payments made into the Sinking Fund until such time as there has been accumulated there in a sum equal to the highest combined principal and interest requirements for any year on bonds payable from the Sinking Fund, which amount attributable to the bonds shall not exceed 10% of the bond proceeds and will be less than 125% of average debt service on the bond. None of the proceeds of the bond shall be used to fund the Reserve Fund. Monies in the Reserve Fund will be used solely for the purpose of paying principal and interest on such bonds as to which there would otherwise be a default.

Funds will also be set aside into a "Depreciation and Contingency Account" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. The Fund may be used for the purpose of payment of debt service on bonds for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful corporate purpose.

TOWN OF KINDER, LOUISIANA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2004

NOTE J - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE K - INTEREST EXPENSE - PROPRIETARY FUND

The amount of interest incurred and charged to expense for the year ended June 30, 2004 was \$18,952.

NOTE L- CONTINGENCIES

The Town participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Town believes that any disallowed costs as a result of such audits will be immaterial.

NOTE M - LOCAL SERVICES AGREEMENT

On September 8, 1997 the Town entered into a local services agreement with the Allen Parish Libraries Board of Control, a subdivision of the Allen Parish Police Jury. The purpose was to construct a building in the Town to be used as a public library. The Town agreed to purchase land for the building, construct a building, be responsible for certain repairs, insure the building against loss, provide liability insurance and borrow money to accomplish the purposes of the agreement.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF KINDER, LOUISIANA
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2004

	Budget		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Taxes				
Ad valorem	\$ 120,300	\$ 125,200	\$ 127,470	\$ 2,270
Public utility franchise	110,000	89,500	87,363	(2,137)
Licenses and permits				
Licenses	90,000	60,000	93,786	33,786
Permits	8,500	4,145	4,467	322
Intergovernmental				
Beer tax	12,000	10,420	9,495	(925)
Grant	-	2,984	51,109	48,125
Fines				
Court fines	215,600	166,030	160,283	(5,747)
Police special	30,000	27,000	25,913	(1,087)
Drivers License	5,000	4,200	-	(4,200)
DWI	7,500	6,000	6,484	484
Interest	35,000	25,000	22,703	(2,297)
Other:				
Miscellaneous	<u>36,150</u>	<u>41,350</u>	<u>45,550</u>	<u>4,200</u>
Total Revenues	<u>670,050</u>	<u>561,829</u>	<u>634,623</u>	<u>72,794</u>
EXPENDITURES				
General and administrative	357,550	344,971	389,309	(44,338)
Street department	96,036	95,636	119,143	(23,507)
Police department	611,763	697,727	711,644	(13,917)
Capital outlay	28,000	71,916	116,407	(44,491)
Total Expenditures	<u>\$ 1,093,349</u>	<u>\$ 1,210,250</u>	<u>\$ 1,336,503</u>	<u>\$ (126,253)</u>

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

TOWN OF KINDER, LOUISIANA
 General Fund
 Budgetary Comparison Schedule (Continued)
 Year Ended June 30, 2004

	Budget		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (423,299)</u>	<u>\$ (648,421)</u>	<u>\$ (701,880)</u>	<u>\$ (53,459)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease financing	-	-	8,755	8,755
Operating transfers	-	-	<u>548,186</u>	<u>548,186</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>556,941</u>	<u>556,941</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(423,299)</u>	<u>(648,421)</u>	<u>(144,939)</u>	<u>503,482</u>
FUND BALANCE, BEGINNING	<u>1,546,370</u>	<u>1,546,370</u>	<u>1,546,370</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,123,071</u>	<u>\$ 897,949</u>	<u>\$ 1,401,431</u>	<u>\$ 503,482</u>

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

TOWN OF KINDER, LOUISIANA
General Fund
Departmental Expenditures -
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE				
Advertising - notices	\$ 500	\$ 4,000	\$ 4,011	\$ (11)
Audit fees	6,000	10,441	11,050	(609)
Court cost	6,000	6,000	6,000	-
Dues	2,400	700	1,080	(380)
Engineer fees	15,000	816	1,031	(215)
Insurance	85,000	102,396	127,517	(25,121)
Janitor services	5,000	4,800	4,680	120
Material and supplies	6,000	6,000	6,748	(748)
Miscellaneous	21,600	23,626	21,916	1,710
Office	8,000	4,000	4,375	(375)
Payroll tax	18,150	12,092	18,862	(6,770)
Postage	900	600	471	129
Repairs and maintenance	10,000	1,000	3,778	(2,778)
Retirement	-	2,200	1,814	386
Salaries	150,000	135,000	145,481	(10,481)
Telephone	10,000	7,800	7,584	216
Travel	5,500	16,500	16,405	95
Utilities	7,500	7,000	6,506	494
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$ 357,550</u>	<u>\$ 344,971</u>	<u>\$ 389,309</u>	<u>\$ (44,338)</u>
STREET DEPARTMENT				
Car allowance	\$ -	\$ -	\$ 1,200	\$ (1,200)
Contract labor	-	7,500	17,013	(9,513)
Equipment rental	2,500	-	-	-
Food for prisoners	12,000	9,500	10,713	(1,213)
Gas, oil and tires	5,000	5,800	5,743	57
Interest-capital leases	1,926	1,926	2,485	(559)
Materials and supplies	27,000	27,500	36,880	(9,380)
Miscellaneous	500	450	305	145
Principal retirement-capital leases	10,110	10,110	11,822	(1,712)
Recycling	2,800	1,750	1,141	609
Repairs and maintenance	13,500	8,500	8,761	(261)
Street lights	20,000	21,000	21,523	(523)
Utilities	700	1,600	1,557	43
TOTAL STREET	<u>\$ 96,036</u>	<u>\$ 95,636</u>	<u>\$ 119,143</u>	<u>\$ (23,507)</u>

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

TOWN OF KINDER, LOUISIANA
 General Fund
 Departmental Expenditures –
 Budgetary Comparison Schedule (Continued)
 Year Ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
POLICE				
Auxiliary officers	\$ 8,000	\$ 14,500	\$ 15,113	\$ (613)
Care of prisoners	500	2,600	2,378	222
Dues	1,000	222	175	47
Intergovernmental	2,800	6,030	5,899	131
Gas, oil and repairs	18,000	22,500	38,291	(15,791)
Insurance	62,400	66,000	69,437	(3,437)
Insurance-dispatchers	18,000	18,500	18,456	44
Materials & supplies	15,000	8,350	5,878	2,472
Miscellaneous	3,900	3,615	3,491	124
Payroll taxes	30,000	35,100	29,575	5,525
Repairs and maintenance	11,000	17,200	3,600	13,600
Rent	2,400	2,400	2,400	-
Reserve Salary K-9 Handler	-	4,800	4,800	-
Retirement	14,784	29,500	30,748	(1,248)
Salaries	304,254	347,000	367,708	(20,708)
Salaries-dispatchers	86,725	97,000	96,311	689
Salaries-dog catcher	9,000	7,800	-	7,800
Supplies	4,000	3,200	3,680	(480)
Telephone	10,000	10,000	9,254	746
Travel	2,000	1,410	2,124	(714)
Uniforms	8,000	-	2,327	(2,327)
TOTAL POLICE	<u>\$ 611,763</u>	<u>\$ 697,727</u>	<u>\$ 711,645</u>	<u>\$ (13,918)</u>

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

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Sales Tax Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales taxes	\$ 480,000	\$ 397,030	\$ 405,196	\$ 8,166
Less collection fees	-	-	(8,148)	(8,148)
Special assessments	-	-	-	-
Interest	6,000	11,000	11,402	402
Grant	-	-	7,616	7,616
Miscellaneous	5,000	-	1,000	1,000
Total Revenues	<u>491,000</u>	<u>408,030</u>	<u>417,066</u>	<u>9,036</u>
EXPENDITURES				
Audit fees	1,200	1,728	1,728	-
Engineer fees	-	25,000	30,352	(5,352)
Miscellaneous	-	273	348	(75)
Professional services	-	3,600	-	3,600
Repairs and maintenance	-	13,991	46,081	(32,090)
Supplies	-	1,341	1,855	(514)
Capital outlay	-	20,233	38,233	(18,000)
Total Expenditures	<u>1,200</u>	<u>66,166</u>	<u>118,597</u>	<u>(52,431)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>489,800</u>	<u>341,864</u>	<u>298,469</u>	<u>(43,395)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	-	-	(348,673)	(348,673)
Total Other Financing Sources (Uses)	-	-	(348,673)	(348,673)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>489,800</u>	<u>341,864</u>	<u>(50,204)</u>	<u>(392,068)</u>
FUND BALANCE, BEGINNING	<u>1,106,405</u>	<u>1,106,405</u>	<u>1,106,405</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,596,205</u>	<u>\$ 1,448,269</u>	<u>\$ 1,056,201</u>	<u>\$ (392,068)</u>

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

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Section 8 Housing Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budget		Variance
	Original	Final	Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ -	\$ 385,000	\$ 420,810
Interest Income	-	720	722
Total Revenues	<u>-</u>	<u>385,720</u>	<u>421,532</u>
EXPENDITURES			
Miscellaneous	-	-	28
HUD rent payments	-	406,000	406,926
Total Expenditures	<u>-</u>	<u>406,000</u>	<u>406,954</u>
Excess (deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(20,280)</u>	<u>14,578</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>-</u>	<u>(20,280)</u>	<u>14,578</u>
Fund Balance, Beginning	104,703	104,703	104,703
Fund Balance, Ending	<u>\$ 104,703</u>	<u>\$ 84,423</u>	<u>\$ 119,281</u>

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

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Gaming Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	<u>Original</u>	Budget <u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Gaming	\$ 360,000	\$ 328,780	\$ 324,547	\$ (4,233)
Interest	2,000	2,000	2,586	586
Miscellaneous	-	-	-	-
Total Revenues	<u>362,000</u>	<u>330,780</u>	<u>327,133</u>	<u>(3,647)</u>
EXPENDITURES				
Administrative	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of Revenues Over Expenditures	<u>362,000</u>	<u>330,780</u>	<u>327,133</u>	<u>(3,647)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>362,000</u>	<u>330,780</u>	<u>327,133</u>	<u>(3,647)</u>
Fund Balance, Beginning	<u>162,927</u>	<u>162,927</u>	<u>162,927</u>	-
Fund Balance, Ending	<u>\$ 524,927</u>	<u>\$ 493,707</u>	<u>\$ 490,060</u>	<u>\$ (3,647)</u>

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

OTHER SUPPLEMENTAL INFORMATION

NONMAJOR FUND DESCRIPTIONS

Special Revenue Funds

Special revenue funds are used to account for special revenues that are legally restricted to expenditures for particular purposes.

Park Fund

To account for the receipt and expenditure of funds for the Town's park.

Motor Vehicle Fund

To account for the receipt and expenditure of funds collected on transactions within the motor vehicle department.

Library Sales Tax Fund

To account for the receipt and use of proceeds of the Town's .3% sales and use tax. Proceeds are to be used for the retirement of debt related to the construction of a library within the Town's boundaries.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition and construction of the major capital facilities other than those financed by proprietary funds:

Library Construction

To account for financial resources to be used for the construction of a library within the Town's boundaries.

Highway 165 Utility Relocation

To account for financial resources to be used for the relocation of utility lines due to the widening of Highway 165.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, governmental long-term liabilities.

Sales Tax Sinking Fund

To account for the accumulation of resources for, and the payment of, a 1989 Sales Tax Refunding Bond.

Library Sinking Fund

To account for the accumulation of resources for, and the payment of, the 1998 certificate of indebtedness used to pay for the Kinder library.

Municipal Building Sinking Fund

To account for the accumulation of resources for, and the payment of, the \$425,000 and \$75,000 certificates of indebtedness used to pay for the new city hall issued in 2002.

TOWN OF KINDER, LOUISIANA
Combining Balance Sheet-
Nonmajor Governmental Funds
June 30, 2004

ASSETS	Special Revenue			Capital Project
	Park	Motor Vehicle	Library Sales Tax	Library Construction
Cash	\$ 3,991	\$ 63,887	\$ 121,961	\$ 4,272
Receivables:				
Taxes	-	-	20,630	-
Leases	1,578	-	-	-
Due from other funds	-	-	1,200	-
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 5,569	\$ 63,887	\$ 143,791	\$ 4,272
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 88	\$ -	\$ -	\$ -
Due to other funds	930	-	-	-
TOTAL LIABILITIES	1,018	-	-	-
FUND BALANCE				
Reserved for debt service	-	-	-	-
Unreserved, undesignated	4,551	63,887	143,791	4,272
TOTAL FUND BALANCE	4,551	63,887	143,791	4,272
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,569	\$ 63,887	\$ 143,791	\$ 4,272

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

Capital Project Highway 165 Utility Relocation	Debt Service			Nonmajor Governmental Funds Total
	Sales Tax Sinking	Library Sinking	Municipal Building Sinking	
\$ 58,596	\$ 174,367	\$ 29,053	\$ -	\$ 456,127
-	-	-	-	20,630
-	-	-	-	1,578
-	-	-	-	1,200
<u>59,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,143</u>
<u>\$ 117,739</u>	<u>\$ 174,367</u>	<u>\$ 29,053</u>	<u>\$ -</u>	<u>\$ 538,678</u>
\$ -	\$ -	\$ -	\$ -	\$ 88
<u>103,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,177</u>
<u>103,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,265</u>
-	174,367	29,053	-	203,420
<u>14,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,993</u>
<u>14,492</u>	<u>174,367</u>	<u>29,053</u>	<u>-</u>	<u>434,413</u>
<u>\$ 117,739</u>	<u>\$ 174,367</u>	<u>\$ 29,053</u>	<u>\$ -</u>	<u>\$ 538,678</u>

TOWN OF KINDER, LOUISIANA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2004

	Special Revenue			Capital Project
	Park	Motor Vehicle	Library Sales Tax	Library Construction
REVENUES				
Taxes	\$ -	\$ -	\$ 119,092	\$ -
Intergovernmental	-	-	-	-
Special assessments	-	9,116	-	-
Leases	170	-	-	-
Interest	51	577	659	36
Miscellaneous	<u>2,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>2,676</u>	<u>9,693</u>	<u>119,751</u>	<u>36</u>
EXPENDITURES				
Engineering fees	972	-	-	-
Materials & supplies	816	-	-	-
Miscellaneous	1,054	217	-	-
Repairs and maintenance	8,118	-	-	1,894
Utilities	750	-	-	-
Capital outlay	2,455	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>14,165</u>	<u>217</u>	<u>-</u>	<u>1,894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,489)</u>	<u>9,476</u>	<u>119,751</u>	<u>(1,858)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	<u>1,814</u>	<u>-</u>	<u>(77,346)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,814</u>	<u>-</u>	<u>(77,346)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(9,675)</u>	<u>9,476</u>	<u>42,405</u>	<u>(1,858)</u>
Fund Balances, Beginning	<u>14,226</u>	<u>54,411</u>	<u>101,386</u>	<u>6,130</u>
Fund Balances, Ending	<u>\$ 4,551</u>	<u>\$ 63,887</u>	<u>\$ 143,791</u>	<u>\$ 4,272</u>

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

Capital Project Highway 165 Utility Relocation	Debt Service			Nonmajor Governmental Funds Total
	Sales Tax Sinking	Library Sinking	Municipal Building Sinking	
\$ -	\$ -	\$ -	\$ -	\$ 119,092
59,143	-	-	-	59,143
-	-	-	-	9,116
-	-	-	-	170
395	2,507	266	-	4,491
<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,455</u>
<u>63,538</u>	<u>2,507</u>	<u>266</u>	<u>-</u>	<u>198,467</u>
-	-	-	-	972
-	-	-	-	816
-	-	-	-	1,271
-	-	-	-	10,012
-	-	-	-	750
-	-	-	-	2,455
-	-	65,000	25,000	90,000
-	-	<u>13,063</u>	<u>19,950</u>	<u>33,013</u>
-	-	<u>78,063</u>	<u>44,950</u>	<u>139,289</u>
<u>63,538</u>	<u>2,507</u>	<u>(77,797)</u>	<u>(44,950)</u>	<u>59,178</u>
-	<u>48,673</u>	<u>77,346</u>	<u>44,950</u>	<u>95,437</u>
-	<u>48,673</u>	<u>77,346</u>	<u>44,950</u>	<u>95,437</u>
<u>63,538</u>	<u>51,180</u>	<u>(451)</u>	<u>-</u>	<u>154,615</u>
<u>(49,046)</u>	<u>123,187</u>	<u>29,504</u>	<u>-</u>	<u>279,798</u>
<u>\$ 14,492</u>	<u>\$ 174,367</u>	<u>\$ 29,053</u>	<u>\$ -</u>	<u>\$ 434,413</u>

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Park Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

		Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final			
REVENUES					
Leases	\$ -	\$ 2,134	\$ 170	\$ (1,964)	
Interest	-	40	51	11	
Miscellaneous	-	42	2,455	2,413	
Total Revenues	-	2,216	2,676	460	
EXPENDITURES					
Engineering fees	-	972	972	-	
Materials & supplies	-	788	816	(28)	
Miscellaneous	-	1,054	1,054	-	
Repairs and maintenance	-	6,618	8,118	(1,500)	
Utilities	-	741	750	(9)	
Capital outlay	-	-	2,455	(2,455)	
Total Expenditures	-	10,173	14,165	(3,992)	
Excess (deficiency) of Revenues Over Expenditures	-	(7,957)	(11,489)	(3,532)	
OTHER FINANCING SOURCES (USES)					
Operating transfers	-	-	1,814	1,814	
Total Other Financing Sources (Uses)	-	-	1,814	1,814	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	(7,957)	(9,675)	(1,718)	
FUND BALANCE, BEGINNING	-	14,226	14,226	-	
FUND BALANCE, ENDING	\$ -	\$ 6,269	\$ 4,551	\$ (1,718)	

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

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Motor Vehicle Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	<u>Original</u>	Budget <u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Assessments	\$ 6,500	\$ 8,759	\$ 9,116	\$ 357
Interest	<u>800</u>	<u>550</u>	<u>577</u>	<u>27</u>
Total Revenues	<u>7,300</u>	<u>9,309</u>	<u>9,693</u>	<u>384</u>
EXPENDITURES				
Miscellaneous	<u>-</u>	<u>198</u>	<u>217</u>	<u>(19)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>7,300</u>	<u>9,111</u>	<u>9,476</u>	<u>365</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>7,300</u>	<u>9,111</u>	<u>9,476</u>	<u>365</u>
FUND BALANCE, BEGINNING	<u>54,411</u>	<u>54,411</u>	<u>54,411</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 61,711</u>	<u>\$ 63,522</u>	<u>\$ 63,887</u>	<u>\$ 365</u>

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

TOWN OF KINDER, LOUISIANA
Special Revenue Fund
Library Sales Tax Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales taxes	\$ 143,000	\$ 119,107	\$ 121,447	\$ 2,340
Less collection fees	-	-	(2,355)	(2,355)
Interest	<u>300</u>	<u>600</u>	<u>659</u>	<u>59</u>
Total Revenues	<u>143,300</u>	<u>119,707</u>	<u>119,751</u>	<u>44</u>
EXPENDITURES				
Audit fees	900	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess (deficiency) of Revenues Over Expenditures	 <u>142,400</u>	 <u>119,707</u>	 <u>119,751</u>	 <u>44</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	<u>(75,000)</u>	<u>(77,100)</u>	<u>(77,346)</u>	<u>(246)</u>
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(77,100)</u>	<u>(77,346)</u>	<u>(246)</u>
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	 <u>67,400</u>	 <u>42,607</u>	 <u>42,405</u>	 <u>(202)</u>
 FUND BALANCE, BEGINNING	 <u>101,386</u>	 <u>101,386</u>	 <u>101,386</u>	 <u>-</u>
 FUND BALANCE, ENDING	 <u>\$ 168,786</u>	 <u>\$ 143,993</u>	 <u>\$ 143,791</u>	 <u>\$ (202)</u>

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

TOWN OF KINDER, LOUISIANA
Schedule of Compensation Paid to Mayor and Council Members
Year Ended June 30, 2004

Fred Ashy - Mayor	\$ 23,970
Estes LeDoux	3,600
Susan Doumite	3,600
Lowell Keys	3,600
Bennie Pelican	3,600
Ferda Wykoff	<u>3,600</u>
Total Compensation Paid to Mayor and Council Members	<u>\$ 41,970</u>

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

ROYCE T. SCIMEMI, CPA, APAC



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Member
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Certified Public Accountants

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

December 22, 2004

The Honorable Estes LeDoux, Mayor
and the Town Council
Town of Kinder, Louisiana

I have audited the basic financial statements of the Town of Kinder, Louisiana, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 22, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Kinder, Louisiana's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, I do not express such an opinion. The results of my tests disclosed five instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described as finding 2004-1 C through 2004-5 C in the accompanying schedule of findings.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Kinder, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Town of Kinder, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described as 2004-1 I/C through 2004-9 I/C in the accompanying schedule of findings.

The Honorable Estes LeDoux, Mayor
And the Town Council
Town of Kinder, Louisiana
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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 misstatements in amounts that would be material in relation to the basic 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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider noted items in the accompanying schedule of findings to be material weaknesses.

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

Royce T. Scimemi, CPA, APAC

A handwritten signature in black ink that reads "Royce T. Scimemi, CPA, APAC". The signature is written in a cursive style with a large, stylized initial 'R'.

**TOWN OF KINDER, LOUISIANA
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2004**

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the primary government financial statements of the Town of Kinder, LA.
2. Nine reportable conditions related to the audit of the primary government financial statements are reported.
3. Five instances of noncompliance material to the financial statements of the Town of Kinder, LA, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Findings – Financial Statement Audit

Finding #2004-01 I/C:
Material Weakness
Reportable Condition

Inadequate Segregation of Duties

Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. I do note that this situation is inherent in most entities of this type and is difficult to solve due to the funding limitations of the Town. I recommend that the Mayor as well as the Town Council take an active interest in the review of all of the financial information. This was also a prior year finding.

Finding #2004-2 I/C
Material Weakness
Reportable Condition

Utility Billing Overrides:

Condition: Nine commercial water and sewer customers were being billed the same amount each month due to billing system overrides. These system overrides date back several years. As a result, these customers were under-billed by at least \$30,000. A large number of billing calculations will need to be prepared to determine the exact amounts and those calculations are not complete as of the date of the report.

Criteria: Customers should be billed based on water usage.

Effect: The Town was owed at least \$30,000 by those customers.

Cause: Improper overrides placed in the utility billing system

Recommendation: The Town should immediately prepare calculations of the under-billed amounts and submit invoices to the applicable customers for payment.

TOWN OF KINDER, LOUISIANA
SCHEDULE OF FINDINGS – CONTINUED
For the Year Ended June 30, 2004

Finding #2004-3 I/C:
Material Weakness
Reportable Condition

Customer Meter Deposits Subsidiary Ledgers not Reconciled to General Ledger:

Condition: The customer meter deposits subsidiary ledgers were not reconciled to general ledger cash or liability account balances. (First reported at 06/30/99)

Criteria: These ledgers should be balanced to the general ledger accounts on a monthly basis.

Effect: Inadequate control over general ledger account balances.

Cause: Administrative lack of oversight

Recommendation: The Town should reconcile the customer meter deposit subsidiary ledgers to the general ledger on a monthly basis.

Finding #2004-4 I/C:
Material Weakness
Reportable Condition

Utility Accounts Receivable Subsidiary Ledgers not Reconciled to General Ledger:

Condition: The utility accounts receivable subsidiary ledgers were not reconciled to general ledger accounts receivable balances. (First reported at 06/30/01)

Criteria: Because adjustments to the billing registers do not automatically post to the general ledger, the balances do not agree.

Effect: Inadequate control over general ledger account balances.

Cause: Administrative lack of oversight

Recommendation: All accounts receivable postings should be set to automatically post in the accounting system and the ledgers should be balanced to the general ledger accounts on a monthly basis.

TOWN OF KINDER, LOUISIANA
SCHEDULE OF FINDINGS – CONTINUED
For the Year Ended June 30, 2004

Finding #2004-5 I/C and
Finding #2004-1 C:
Material Weakness
Reportable Condition

Budgetary Authority and Control:

Condition: Inadequate budgeting procedures resulted in over/under budget by 5% or more as follows:

General Fund Expenditures
Sales Tax Fund Expenditures

Criteria: Inadequate budgeting procedures. Prior year finding.

Effect: Violations of Louisiana Revised Statute 39:1310.

Cause: Administrative lack of oversight

Recommendation: The Town should review actual revenues and expenditures on an interim basis and amend the budget when necessary.

Finding #2004-6 I/C and
Finding #2004-2 C
Material Weakness

Completion and Submission of Proposed Budget:

Condition: Late submission of proposed budget.

Criteria: The original budget was submitted to the Town Council and made available for public inspection on June 30, 2003.

Effect: Violation of Louisiana Revised Statute 39:1305.

Cause: Administrative lack of oversight

Recommendation: The proposed budget should be submitted to the Town Council and be made available for public inspection no later than fifteen days prior to the beginning of each fiscal year.

TOWN OF KINDER, LOUISIANA
SCHEDULE OF FINDINGS – CONTINUED
For the Year Ended June 30, 2004

Finding #2004-7 I/C and
Finding #2004-3 C:
Material Weakness
Reportable Condition

Inadequate Special Assessment Collection Procedures:

Condition: Inquiries made as to the status of collection of two special assessments yielded no documentation or records of collection on or initiation of liens to property assessed.

Criteria: In the past the Town apparently maintained a card file on these assessments. However, since the prior Town Clerk and Town Bookkeeper were terminated the records were no longer available.

Effect: Possible Violation of Article VII, Section 14 of the Louisiana Constitution

Cause: Inadequate internal controls and administrative lack of oversight

Recommendation: Install proper card files or computer files to ensure the special assessments are billed and collected or initiate liens on the applicable properties.

Finding #2004-8 I/C and
Finding #2004-4 C
Material Weakness
Reportable Condition

Submission of Unclaimed Property to the State of Louisiana:

Condition: The Town has numerous old outstanding checks that have not been submitted to the State of Louisiana under Louisiana's Unclaimed Property Law.

Criteria: After a certain number of years, this money should be submitted

Effect: Cash balances in the Town's accounts that belong to other entities.

Cause: Administrative lack of oversight

Recommendation: The Town should contact the Treasurer of the State of Louisiana, Unclaimed Property Division and follow their directions to properly transfer those funds.

TOWN OF KINDER, LOUISIANA
SCHEDULE OF FINDINGS – CONTINUED
For the Year Ended June 30, 2004

Finding #2004-9 I/C and
Finding #2004-5 C:
Material Weakness
Reportable Condition

Prepayment of Payroll Liabilities:

Condition: Town employees are paid bi-weekly on Fridays. The checks are prepared in advance and issued on the Friday the pay period ends. Hours worked on interim days are estimated and included in the paychecks. Any differences between actual hours worked and paycheck amounts are added to or subtracted from the employees subsequent bi-weekly paycheck.

Criteria: Inefficient payroll procedures.

Effect: Possible Violation of Article VII, Section 14 of the Louisiana Constitution

Cause: Administrative lack of oversight

Recommendation: The Town should change the pay policy to provide payroll employees enough time to summarize and pay employees after the payroll period has expired.

TOWN OF KINDER, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS (UNAUDITED)
For The Year Ended June 30, 2004

Internal Control and Compliance Material to the Financial Statements

2004-1 I/C Segregation of duties:

This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-2 I/C Utility Billing Overrides:

Recommendation: The Town should immediately prepare calculations of the under-billed amounts and submit invoices to the applicable customers for payment.

Planned Action: The Town agrees with this finding. The Town will seek reimbursement of under-billed amounts.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-3 I/C Customer Meter Deposits Subsidiary Ledger not Reconciled to General Ledger:

Recommendation: The Town should reconcile the customer meter deposit subsidiary ledgers to the general ledger on a monthly basis.

Planned Action: The Town agrees with this finding. The Town will adjust its records accordingly and reconcile the customer deposits to the general ledger on a monthly basis.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-4 I/C Utility Accounts Receivable Subsidiary Ledger not Reconciled to General Ledger:

Recommendation: All accounts receivable postings should be set to automatically post in the accounting system and the accounts receivable subsidiary ledgers should be balanced to the general ledger accounts on a monthly basis.

Planned Action: The Town agrees with this finding. The Town will adjust its accounting system accordingly and reconcile the accounts receivable subsidiary ledgers to the general ledger on a monthly basis.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-5 I/C and 2004-1 C Budgetary Authority and Control:

Recommendation: The Town should review actual revenues and expenditures on an interim basis and amend the budget when necessary.

Planned Action: The Town agrees with this finding. The Town will review the actual to budget comparisons on a quarterly basis and make amendments as necessary.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-6 I/C and 2004-2 C Completion and Submission of Proposed Budget:

Recommendation: The proposed budget should be submitted to the Town Council and be made available for public inspection no later than fifteen days prior to the beginning of each fiscal year.

Planned Action: The Town agrees with this finding. The Town will submit the proposed budget to the Town Council and make it available for public inspection no later than fifteen days prior to the beginning of each fiscal year.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-7 I/C and 2004-3 C Inadequate Special Assessment Collection Procedures:

Recommendation: Install proper card or computer files to ensure that special assessments are billed and collected or liens on the applicable properties.

Planned Action: The Town agrees with this finding. The Town will review available information to bring these special assessments up to date. The special assessments will be billed and collected or liens will be placed on the applicable properties.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-8 I/C and 2004-4 C Submission of Unclaimed Property to the State of Louisiana:

Recommendation: The Town should contact the Treasurer of the State of Louisiana, Unclaimed Property Division and follow their directions to properly transfer those funds.

Planned Action: The Town agrees with this finding. The Town will contact the Treasurer of the State of Louisiana, Unclaimed Property Division and follow their directions to properly transfer those funds.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

2004-9 I/C and 2004-5 C Prepayment of Payroll Liabilities:

Recommendation: The Town should change the pay policy to provide payroll employees enough time to summarize and pay employees after the payroll period has expired.

Planned Action: The Town agrees with this finding. The Town will change the pay policy to provide payroll employees enough time to summarize and pay employees after the payroll period has expired.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

TOWN OF KINDER, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2004

2003-1 I/C Segregation of duties:

Corrective Action Taken: This is an ongoing finding that cannot be corrected due to lack of financial resources, and the size of the entity.

2003-2 I/C Delinquent Leases:

Corrective Action Taken: Yes

2003-3 and 4 I/C Subsidiary Ledgers not Agreed to General Ledger:

Corrective Action Taken: No

Planned Corrective Action: The Town will adjust its records accordingly and reconcile the utility accounts receivable and customer deposits subsidiary ledgers to the general ledger on a monthly basis.

2003-5 I/C and 2003-1 C Incomplete Inventory of Fixed Assets:

Corrective Action Taken: Yes

2003-6 I/C and 2003-2 C Noncompliance with LA Revised Statute 39:1310 -Budgetary Authority and Control:

Corrective Action Taken: No

Planned Corrective Action: The Town will review the actual to budget comparisons on a quarterly basis and make amendments as necessary.

2003-7 I/C and 2003-3 C Completion and Submission of Proposed Budget:

Corrective Action Taken: No

Planned Corrective Action: The Town will make the annual budget available for public inspection no later than fifteen days prior to the beginning of each fiscal year.

2003-8 and 9 I/C and 2003-4 and 5 C Unauthorized Use of Public Funds:

Corrective Action Taken: Yes

2003-10 I/C and 2003-6 C Cash Borrowings by Employees:

Corrective Action Taken: Yes

2003-11 I/C and 2003-7 C Inadequate Special Assessment Collection Procedures:

Corrective Action Taken: No

Planned Corrective Action: The Town will install proper card or computer files to ensure special assessments are billed and collected or initiate liens on the applicable properties.

TOWN OF KINDER, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS-CONTINUED
For The Year Ended June 30, 2004

2003-12 I/C and 2003-8 C Submission of Unclaimed Property to the State of Louisiana:

Corrective Action Taken: No

Planned Corrective Action: The Town will contact the Treasurer of the State of Louisiana, Unclaimed Property Division and follow their directions to properly transfer those funds.

2003-13 I/C and 2003-9 C Prepayment of Payroll Liabilities:

Corrective Action Taken: No

Planned Corrective Action: The Town will change the pay policy to provide payroll employees enough time to summarize and pay employees after the payroll period has expired.

2003-14 I/C and 2003-10 C Unauthorized Payroll Payments:

Corrective Action Taken: Yes

2003-15 I/C and 2003-11 C Unauthorized Payroll Payments:

Corrective Action Taken: Yes