

**TOWN OF KROTZ SPRINGS
KROTZ SPRINGS, LOUISIANA**

**Financial Report
Year Ended June 30, 2019**

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Champagne & Company, LLC

Certified Public Accountants

Russell F. Champagne, CPA, CGMA*
Penny Angelle Scruggins, CPA, CGMA*

Shayne M. Breaux, CPA
Kaylee Champagne Frederick, CPA

113 East Bridge Street
PO Box 250
Breux Bridge, LA 70517
Phone: (337) 332-4020
Fax: (337) 332-2867

*A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

The Honorable Carroll Snyder, Mayor
and Members of the Board of Aldermen/Alderwomen
Krotz Springs, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Krotz Springs, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Krotz Springs, Louisiana, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 51-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Krotz Springs, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Krotz Springs, Louisiana's basic financial statements. The other supplementary information on pages 59 through 71 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, except for the schedule of insurance in force and the schedule of compensation, benefits, and other payments to agency head or chief executive officer, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance in force and the schedule of compensation, benefits, and other payments to agency head or chief executive officer have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the Town of Krotz Springs, Louisiana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Krotz Springs, Louisiana’s internal control over financial reporting and compliance.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
December 10, 2019

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,743,367	\$ 925,201	\$ 2,668,568
Investments	744,759	1,226,953	1,971,712
Receivables, (net of allowance for uncollectibles)	29,220	71,697	100,917
Due from other governments	32,485	33,586	66,071
Internal balances	(27,665)	27,665	-
Restricted assets	-	99,546	99,546
Prepaid expenses	38,616	31,998	70,614
Capital assets (net)	2,117,079	1,242,295	3,359,374
<u>Total assets</u>	<u>4,677,861</u>	<u>3,658,941</u>	<u>8,336,802</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	 <u>57,266</u>	 <u>43,406</u>	 <u>100,672</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	20,382	10,257	30,639
Accrued payroll benefits	8,267	1,261	9,528
Due to other government	-	2,605	2,605
Payable from restricted assets	-	99,546	99,546
Long-term liabilities			
Due within one year	12,320	-	12,320
Due in more than one year	39,938	21,470	61,408
Net pension liability	103,912	116,158	220,070
<u>Total liabilities</u>	<u>184,819</u>	<u>251,297</u>	<u>436,116</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 <u>69,950</u>	 <u>20,813</u>	 <u>90,763</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,101,655	1,242,295	3,343,950
Restricted for tax dedications	1,353,481	-	1,353,481
Unrestricted	1,025,222	2,187,942	3,213,164
<u>Total net position</u>	<u>\$ 4,480,358</u>	<u>\$ 3,430,237</u>	<u>\$ 7,910,595</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
	EXPENSES	FEEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>FUNCTIONS / PROGRAMS</u>							
Governmental Activities							
General government	\$ 496,939	\$ 26,907	\$ -	\$ -	\$ (470,032)	\$ -	\$ (470,032)
Public safety	568,380	448,776	-	-	(119,604)	-	(119,604)
Public works	110,558	-	-	-	(110,558)	-	(110,558)
Culture and recreation	74,924	-	-	-	(74,924)	-	(74,924)
Interest on long-term debt	1,068	-	-	-	(1,068)	-	(1,068)
<u>Total governmental activities</u>	<u>1,251,869</u>	<u>475,683</u>	<u>-</u>	<u>-</u>	<u>(776,186)</u>	<u>-</u>	<u>(776,186)</u>
Business-type Activities							
Gas	131,419	140,289	-	-	-	8,870	8,870
Water	306,984	329,683	33,586	-	-	56,285	56,285
Sewer	180,288	89,829	-	-	-	(90,459)	(90,459)
<u>Total business-type activities</u>	<u>618,691</u>	<u>559,801</u>	<u>33,586</u>	<u>-</u>	<u>-</u>	<u>(25,304)</u>	<u>(25,304)</u>
<u>Total</u>	<u>1,870,560</u>	<u>1,035,484</u>	<u>33,586</u>	<u>-</u>	<u>(776,186)</u>	<u>(25,304)</u>	<u>(801,490)</u>

Continued on next page.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General revenues						
Taxes						
Property taxes, levied for general purposes				\$ 297,846	\$ -	\$ 297,846
Sales taxes, levied for general purposes				373,849	-	373,849
Franchise taxes				264,712	-	264,712
Interest and investment earnings				14,324	30,338	44,662
Non-employer pension revenue				3,085	3,448	6,533
Occupational licenses and other permits				58,860	-	58,860
Intergovernmental				57,125	-	57,125
Miscellaneous				33,509	962	34,471
Transfers				(7,612)	7,612	-
<u>Total general revenues and transfers</u>				<u>1,095,698</u>	<u>42,360</u>	<u>1,138,058</u>
<u>Change in net position</u>				<u>319,512</u>	<u>17,056</u>	<u>336,568</u>
Net position - July 1, 2018				<u>4,160,846</u>	<u>3,413,181</u>	<u>7,574,027</u>
Net position - June 30, 2019				<u>\$ 4,480,358</u>	<u>\$ 3,430,237</u>	<u>\$ 7,910,595</u>

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF KROTZ SPRINGS, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 921,215	\$ 822,152	\$ 1,743,367
Investments	225,000	519,759	744,759
Receivables, net of allowance for uncollectibles			
Interest receivable	586	302	888
Taxes	6,501	-	6,501
Other receivable	12,531	-	12,531
Dr. Greene rent receivable	3,600	-	3,600
Due from other funds	2,669	11,268	13,937
Due from other governments	32,485	-	32,485
<u>Total assets</u>	<u>\$ 1,204,587</u>	<u>\$ 1,353,481</u>	<u>\$ 2,558,068</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 20,382	\$ -	\$ 20,382
Accrued payroll benefits	8,267	-	8,267
Accrued compensated absences	1,507	-	1,507
Due to other funds	41,602	-	41,602
<u>Total liabilities</u>	<u>71,758</u>	<u>-</u>	<u>71,758</u>
 <u>FUND BALANCES</u>			
Restricted	-	1,353,481	1,353,481
Unassigned	1,132,829	-	1,132,829
<u>Total fund balances</u>	<u>1,132,829</u>	<u>1,353,481</u>	<u>2,486,310</u>
<u>Total liabilities and fund balances</u>	<u>\$ 1,204,587</u>	<u>\$ 1,353,481</u>	<u>\$ 2,558,068</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds at
June 30, 2019 \$ 2,486,310

Total net position reported for governmental activities in the
statement of net position 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:

Buildings, furnitures, fixtures, equipment, and vehicles	\$ 4,470,498	
Less: Accumulated depreciation as of June 30, 2019	<u>(2,353,419)</u>	2,117,079

Prepaid expenses at June 30, 2019		38,616
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The deferred outflows of expenditures are not a use of current
resources, and are therefore not reported in the funds:

Pension plan		57,266
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The deferred inflows of contributions are not available resources, and
therefore, are not reported in the funds:

Pension plan		(69,950)
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Rent receivable that is not available to pay for current period expenditures and thus is not recognized in the governmental funds but are recognized in the Statement of Net Position		5,700
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General long-term debt of governmental activities is not payable from
current resources and, therefore, not reported in the funds. The debt is:

Net Pension Liability		(103,912)
Compensated absences		(35,327)
Capital lease		<u>(15,424)</u>

Net position at June 30, 2019		<u>\$ 4,480,358</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL	SALES TAX	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Taxes	\$ 562,558	\$ 373,849	\$ 936,407
Licenses and permits	58,860	-	58,860
Intergovernmental	57,125	-	57,125
Charges for services	27,087	-	27,087
Fines and forfeits	448,776	-	448,776
Investment income	7,120	7,204	14,324
Miscellaneous	33,509	-	33,509
<u>Total revenues</u>	<u>1,195,035</u>	<u>381,053</u>	<u>1,576,088</u>
<u>EXPENDITURES</u>			
Current			
General and administrative	451,778	3,560	455,338
Street	79,075	-	79,075
Police	562,623	-	562,623
Recreation	62,618	-	62,618
Debt service	11,367	-	11,367
<u>Total expenditures</u>	<u>1,167,461</u>	<u>3,560</u>	<u>1,171,021</u>
<u>EXCESS OF REVENUES</u>			
<u>OVER EXPENDITURES</u>	<u>27,574</u>	<u>377,493</u>	<u>405,067</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	161,677	-	161,677
Transfers out	(9,576)	(159,713)	(169,289)
<u>Total other financing sources (uses)</u>	<u>152,101</u>	<u>(159,713)</u>	<u>(7,612)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>179,675</u>	<u>217,780</u>	<u>397,455</u>
<u>FUND BALANCES, beginning of year</u>	<u>953,154</u>	<u>1,135,701</u>	<u>2,088,855</u>
<u>FUND BALANCES, end of year</u>	<u>\$ 1,132,829</u>	<u>\$ 1,353,481</u>	<u>\$ 2,486,310</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances for the year ended June 30, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 397,455
The change in net position reported for governmental activities in the statement of activities is difference 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	\$ 29,294	
Depreciation expense for year ended June 30, 2019	<u>(117,820)</u>	(88,526)
Governmental funds are reported on the modified accrual basis of accounting as opposed to the accrual basis of accounting. Therefore, there are revenue and expenditure accruals in the statement of activities.		
Revenues earned under accrual basis of accounting		(180)
Non-employer Pension Revenue		3,085
Expenses not requiring the use of current financial resources and, therefore, not reported as expenditures in the governmental funds		
Differences between prepaid expenses on modified accrual basis versus accrual basis		376
This amount represents capital lease principal payments during the current period.		10,299
Differences between compensated absences on modified accrual basis versus accrual basis		(9,569)
Pension Expense		<u>6,572</u>
<u>Total change in net position for the year ended June 30, 2019 per Statement of Activities</u>		<u>\$ 319,512</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 277,067	\$ 608,241	\$ 39,893	\$ 925,201
Investments	592,365	548,362	86,226	1,226,953
Receivables, net of allowance for uncollectibles				
Accounts	27,056	36,218	8,351	71,625
Interest	-	72	-	72
Due from other funds	13,456	20,176	6,807	40,439
Due from other governments	-	33,586	-	33,586
Prepaid insurance	6,399	19,199	6,400	31,998
<u>Total current assets</u>	<u>916,343</u>	<u>1,265,854</u>	<u>147,677</u>	<u>2,329,874</u>
<u>RESTRICTED ASSETS</u>				
Cash	34,633	49,773	-	84,406
Investments	15,140	-	-	15,140
<u>Total restricted assets</u>	<u>49,773</u>	<u>49,773</u>	<u>-</u>	<u>99,546</u>
<u>PROPERTY AND EQUIPMENT</u>				
Utility plant, net	19,271	150,453	1,072,571	1,242,295
<u>Total property and equipment</u>	<u>19,271</u>	<u>150,453</u>	<u>1,072,571</u>	<u>1,242,295</u>
<u>Total assets</u>	<u>985,387</u>	<u>1,466,080</u>	<u>1,220,248</u>	<u>3,671,715</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>8,953</u>	<u>25,996</u>	<u>8,457</u>	<u>43,406</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES (from current assets)</u>				
Accounts payable	1,360	5,815	3,082	10,257
Accrued payroll benefits	302	673	286	1,261
Due to other governments	-	2,605	-	2,605
Due to other funds	-	5,339	7,435	12,774
<u>Total</u>	<u>1,662</u>	<u>14,432</u>	<u>10,803</u>	<u>26,897</u>

Continued on next page.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>CURRENT LIABILITIES</u> (from restricted assets)				
Customers' deposits	\$ 49,773	\$ 49,773	\$ -	\$ 99,546
<u>Total</u>	<u>49,773</u>	<u>49,773</u>	<u>-</u>	<u>99,546</u>
<u>Total current liabilities</u>	<u>51,435</u>	<u>64,205</u>	<u>10,803</u>	<u>126,443</u>
<u>NONCURRENT LIABILITIES</u>				
Accrued compensated absences	7,434	9,034	5,002	21,470
Net pension liability	23,958	69,567	22,633	116,158
<u>Total noncurrent liabilities</u>	<u>31,392</u>	<u>78,601</u>	<u>27,635</u>	<u>137,628</u>
<u>Total liabilities</u>	<u>82,827</u>	<u>142,806</u>	<u>38,438</u>	<u>264,071</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>4,293</u>	<u>12,465</u>	<u>4,055</u>	<u>20,813</u>
<u>NET POSITION</u>				
Net investment in capital assets	19,271	150,453	1,072,571	1,242,295
Unrestricted	887,949	1,186,352	113,641	2,187,942
<u>Total net position</u>	<u>\$ 907,220</u>	<u>\$ 1,336,805</u>	<u>\$ 1,186,212</u>	<u>\$ 3,430,237</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 140,289	\$ 329,683	\$ 89,829	\$ 559,801
<u>Total operating revenues</u>	<u>140,289</u>	<u>329,683</u>	<u>89,829</u>	<u>559,801</u>
<u>OPERATING EXPENSES</u>				
Personal services	61,904	116,191	35,821	213,916
Contractual services	25,922	-	2,506	28,428
Supplies	880	22,139	1,009	24,028
Other expenses	41,347	141,301	55,363	238,011
Depreciation	1,366	27,353	85,589	114,308
<u>Total operating expenses</u>	<u>131,419</u>	<u>306,984</u>	<u>180,288</u>	<u>618,691</u>
<u>OPERATING INCOME (LOSS)</u>	<u>8,870</u>	<u>22,699</u>	<u>(90,459)</u>	<u>(58,890)</u>
<u>NON-OPERATING REVENUES</u>				
Miscellaneous income	962	-	-	962
Interest income	11,508	16,865	1,965	30,338
Non-employer pension revenue	711	2,065	672	3,448
Grant income	-	33,586	-	33,586
<u>Total non-operating revenues</u>	<u>13,181</u>	<u>52,516</u>	<u>2,637</u>	<u>68,334</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>	<u>22,051</u>	<u>75,215</u>	<u>(87,822)</u>	<u>9,444</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating transfers in	2,045	5,601	1,931	9,577
Operating transfers out	-	(1,965)	-	(1,965)
<u>Total operating transfers in (out)</u>	<u>2,045</u>	<u>3,636</u>	<u>1,931</u>	<u>7,612</u>
<u>CHANGE IN NET POSITION</u>	<u>24,096</u>	<u>78,851</u>	<u>(85,891)</u>	<u>17,056</u>
<u>NET POSITION, beginning of year,</u>	<u>883,124</u>	<u>1,257,954</u>	<u>1,272,103</u>	<u>3,413,181</u>
<u>NET POSITION, end of year</u>	<u>\$ 907,220</u>	<u>\$ 1,336,805</u>	<u>\$ 1,186,212</u>	<u>\$ 3,430,237</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Cash received from customers	\$ 122,220	\$ 333,977	\$ 91,321	\$ 547,518
Cash payments to suppliers for goods and services	(67,441)	(162,077)	(58,296)	(287,814)
Cash payments to employees for services	(58,763)	(106,981)	(35,117)	(200,861)
<u>Net cash provided (used) by operating activities</u>	<u>(3,984)</u>	<u>64,919</u>	<u>(2,092)</u>	<u>58,843</u>
<u>CASH FLOWS FROM NONCAPITAL</u>				
<u>FINANCING ACTIVITIES</u>				
Change in customer meter deposits	430	(295)	-	135
Transfers in (out)	2,804	3,636	1,931	8,371
<u>Net cash provided by noncapital financing activities</u>	<u>3,234</u>	<u>3,341</u>	<u>1,931</u>	<u>8,506</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(13,821)	(14,719)	-	(28,540)
<u>Net cash used by capital and related financing activities</u>	<u>(13,821)</u>	<u>(14,719)</u>	<u>-</u>	<u>(28,540)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Purchase of investments	(10,285)	(8,951)	(1,965)	(21,201)
Interest on investments	11,508	16,845	1,965	30,318
<u>Net cash provided by investing activities</u>	<u>1,223</u>	<u>7,894</u>	<u>-</u>	<u>9,117</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(13,348)</u>	<u>61,435</u>	<u>(161)</u>	<u>47,926</u>
<u>CASH, July 1, 2018</u>	<u>325,048</u>	<u>596,579</u>	<u>40,054</u>	<u>961,681</u>
<u>CASH, June 30, 2019</u>	<u>\$ 311,700</u>	<u>\$ 658,014</u>	<u>\$ 39,893</u>	<u>\$ 1,009,607</u>

Continued on next page.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>TOTAL ENTERPRISE FUNDS</u>
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	
<u>RECONCILIATION OF OPERATING INCOME</u>				
<u>(LOSS) TO NET CASH PROVIDED</u>				
<u>(USED) BY OPERATING</u>				
<u>ACTIVITIES</u>				
Operating income (loss)	\$ 8,870	\$ 22,699	\$ (90,459)	\$ (58,890)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,366	27,353	85,589	114,308
(Increase) decrease in accounts receivable	(18,069)	4,294	1,492	(12,283)
(Increase) decrease in prepaid insurance	501	1,497	500	2,498
Increase (decrease) in accounts payable	207	(2,739)	82	(2,450)
Increase in due to other governments	-	2,605	-	2,605
Increase (decrease) in accrued payroll benefits	302	673	286	1,261
Increase (decrease) in accrued compensated absences	3,259	1,581	1,450	6,290
Increase (decrease) in pension expense	(420)	6,956	(1,032)	5,504
<u>Total adjustments</u>	<u>(12,854)</u>	<u>42,220</u>	<u>88,367</u>	<u>117,733</u>
 <u>Net cash provided (used)</u> <u>by operating activities</u>	 <u>\$ (3,984)</u>	 <u>\$ 64,919</u>	 <u>\$ (2,092)</u>	 <u>\$ 58,843</u>

<u>Reconciliation of cash and cash equivalents per statement</u>		
<u>of cash flows to the balance sheet:</u>		
<u>Cash and cash equivalents, beginning of period-</u>		
Cash-unrestricted		\$ 854,734
Cash-restricted		106,947
<u>Total cash and cash equivalents</u>		<u>961,681</u>
<u>Cash and cash equivalents, end of period-</u>		
Cash-unrestricted		925,201
Cash-restricted		84,406
<u>Total cash and cash equivalents</u>		<u>1,009,607</u>
<u>Net Increase</u>		<u>\$ 47,926</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Krotz Springs, Louisiana have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The following is a summary of certain significant accounting policies and practices of the Town of Krotz Springs.

A. FINANCIAL REPORTING ENTITY

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 - Fund Balance Reporting and Government Fund Type Definitions. This Statement establishes fund balance classifications based primarily on the extent to which the Town is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town 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 Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Town of Krotz Springs is a primary government and has no component units. The accompanying financial statements present information only on the funds maintained by the Town and do not present information on any other governmental unit.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and the Statement of Activities display information on all of the nonfiduciary activities of the Town of Krotz Springs, the primary government, as a whole. They include all funds of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION - Continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. 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 goods or services offered by the programs, 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 accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 governmental funds:

Governmental Funds

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

Special Revenue Fund

Sales Tax Fund. The Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes.

The Town reports the following major proprietary funds:

Enterprise Funds

Gas Fund The Gas Fund accounts for gas services to residents of the Town of Krotz Springs. All activities necessary to provide such services are accounted for in this fund, including, but not limited to operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

Water Fund The Water Fund accounts for water services to residents of the Town of Krotz Springs. All activities necessary to provide such services are accounted for in this fund, including, but not limited to operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION – Continued

FUND FINANCIAL STATEMENTS – Continued

Enterprise Funds – Continued

Sewer Fund

The Sewer Fund accounts for sewer services to the Town of Krotz Springs. All activities necessary to provide such services are accounted for in this fund, including but not limited to, operations, construction, administration, maintenance, financing and related debt service, and billing and collection.

C. 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 Position and the 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 balance 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 objective of this measurement focus is the determination of operating income, changes in net position (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 position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position 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.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING - Continued

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.

ALLOCATION OF INDIRECT EXPENSES

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities.

CASH AND INVESTMENTS

Louisiana statutes authorize the Town to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, or any other federally insured investment.

At year-end, the carrying amount of the Town’s cash and investments was \$4,739,826. The bank balance of cash was \$2,794,548 and of investments was \$1,986,852. Investments are stated at cost or amortized cost, which approximates market. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP). Cash and certificates of deposits are fully secured through the pledge of bank-owned securities or federal deposit insurance. Investments in certificates of deposit at June 30, 2019 were \$936,749. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer’s Office. With investment advice provided by a professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investment in LAMP at June 30, 2019 was \$1,050,103. LAMP is currently rated AAAM by Standard & Poor’s Ratings Services.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town’s deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Town or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Bank balances	<u>\$ 4,781,400</u>
Federal deposit insurance	\$ 500,000
Pledged securities	<u>4,281,400</u>
 Total FDIC insurance and collateral	 <u>\$ 4,781,400</u>

Deposits in the amount of \$4,281,400 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institutions’ trust department or agent, but not in the Town’s name. The Town does not have a policy for custodial credit risk.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether they are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to GASB No. 34, governments were not required to report general infrastructure assets. The Town of Krotz Springs did not capitalize infrastructure expenditures.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated assets, which are recorded at their estimated fair value at the date of donation. The Town of Krotz Springs maintains a threshold level of \$500 or more for capitalizing capital assets.

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 Position. 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:

Land improvements	5 - 20 years
Buildings and improvements	10 - 40 years
Equipment	5 - 20 years
Furniture and fixtures	7 - 15 years
Other structures and improvements	5 - 25 years
Water works and gas system	20 - 50 years
Water works furniture and equipment	20 - 50 years
Sewer plant and equipment	10 - 20 years

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

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as facilities acquisition and construction expenditures of the governmental fund upon acquisition.

BAD DEBTS

Uncollectible amounts due for ad valorem taxes, miscellaneous liens, and sundry claims are recorded as bad debts through the establishment of an allowance account at the time information available indicates the uncollectibility of the particular receivable.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

BAD DEBTS – Continued

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account for the balance of individual accounts over 90 days old at the end of each fiscal year.

Allowance for uncollectible accounts receivable in the Enterprise Funds at June 30, 2019 was \$3,310.

COMPENSATED ABSENCES

Employees of the Town of Krotz Springs earn vacation and sick leave on a calendar year basis. Unused vacation and sick leave can be carried forward to the next calendar year. Upon termination or retirement, unused vacation is paid to the employee at the employee's current rate of pay. Upon termination, unused sick leave up to 30 days is paid to the employee at the employee's current rate of pay.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

RESTRICTED ASSETS

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the utility meter deposits.

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 is reported as liabilities in the government-wide statements. The long-term debt consists primarily of the compensated absences payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

REVENUES, EXPENDITURES, AND EXPENSES

Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds – By Character
- Proprietary Funds – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental and individual proprietary funds have been eliminated.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

EQUITY CLASSIFICATIONS

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

1. Net investment in capital assets – 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 borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position 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.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance reports aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

1. Restricted – Reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

2. Committed – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board Members remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

3. Assigned – Reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The members of the Board and the Town Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

4. Unassigned – Reflects all other spendable amounts not included in other spendable categories.

Proprietary fund equity is classified the same as in the government-wide statements.

The Town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE (2) - RECEIVABLES

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Taxes receivable	\$ 6,501	\$ -	\$ 6,501
Accounts	-	71,625	71,625
Accrued interest receivable	888	72	960
Other receivable	12,531	-	12,531
Dr. Greene rent receivable	9,300	-	9,300
	<u> </u>	<u> </u>	<u> </u>
<u>Total</u>	<u>\$ 29,220</u>	<u>\$ 71,697</u>	<u>\$ 100,917</u>

NOTE (3) - RETIREMENT PLAN

General: The Town participates in funding a retirement plan which is described as follows:

Municipal Employees' Retirement System (MERS)

PLAN DESCRIPTION

The Town provides pension benefits for substantially all of its full-time employees except the police department, through the Municipal Employees' Retirement System of Louisiana, Plan B. This plan is a cost-sharing, multiple-employer, statewide funded plan. In addition to employee payroll deductions, Town funds are remitted to the retirement system and are recorded as expenditures. The retirement system is administered and controlled by a separate board of trustees. Contributions of participating agencies are pooled within the system to fund accrued benefits, with contribution rates approved by the Louisiana Legislature. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

1. Retirement Benefits: Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:
 - a. Any age with thirty (30) years of creditable service.
 - b. Age 60 with a minimum of ten (10) or more years of creditable service.
 - c. Any age with ten (10) years creditable service eligible for disability benefits.
 - d. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

- a. Age 67 with seven (7) years of creditable service.
- b. Age 62 with ten (10) years of creditable service.
- c. Age 55 with thirty (30) years of creditable service.
- d. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

2. Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.
 - a. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
 - b. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Any member of Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

3. DROP Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

4. Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.
5. Cost of Living Increases: The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.
6. Deferred Benefits: The plan provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

EMPLOYER CONTRIBUTIONS

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality. According to the state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2019, the employer contribution rate was 14% of member's earnings for Plan B.

According to the state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities. Non-employer contributions for the years ended June 30, 2019, 2018, and 2017 were \$6,533, \$7,480, and \$7,043, respectively.

Administrative costs of the System are financed through employer contributions.

The Town of Krotz Springs' employer contributions to Municipal Employees' Retirement System for the years ended June 30, 2019, 2018, and 2017, were \$29,444, \$25,548, and \$26,678, respectively, and were equal to the required contribution for each year.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, the Town reported a liability of \$220,070 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.260182%, which was a decrease of 0.066562% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$27,800, plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$29,092).

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – Continued

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 278	\$ (4,680)	\$ 311	\$ (5,232)
Changes of assumptions	3,889	-	4,347	-
Net difference between projected and actual earnings on pension plan investments	16,889	-	18,878	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions and deferred outflows and inflows of resources	3,871	(13,939)	4,329	(15,581)
Employer contributions subsequent to the measurement date	13,903	-	15,541	-
Total	\$ 38,830	\$ (18,619)	\$ 43,406	\$ (20,813)

\$13,903, for governmental activities, and \$15,541, for business-type activities, are reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,868
2020	(858)
2021	3,243
2022	1,108
Total	\$ 13,361

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of the System's employer for Plan B as of June 30, 2018 are as follows:

	<u>PLAN B</u>
Total Pension Liability	\$ 639,704
Plan Fiduciary Net Position	(419,634)
Total Net Pension Liability	<u>\$ 220,070</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2018 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014. Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years
Investment rate of return	7.275%
Inflation rate	2.6%
Salary increases, including inflation and merit increases	5.0%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.20%
Public fixed income	35%	1.50%
Alternatives	15%	0.60%
Totals	100%	4.30%
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The discount rate used to measure the total pension liability was 7.275% for the year ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2018 is 3 years for Plan B.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability calculated using the discount rate of 7.275%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.275%) or one percentage point higher (8.275%) than the current discount rate (assuming all other assumptions remain unchanged):

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

Changes in net pension liability from changes in the discount rate as of June 30, 2018 for Plan B are as follows:

	Plan B		
	1% Decrease	Current Discount Rate	1% Increase
	6.275%	7.275%	8.275%
Net Pension Liability	\$ 288,815	\$ 220,070	\$ 161,631

CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2018 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience: Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The differences between expected and actual experience resulted in a deferred outflow of resources in the amount of \$589 and deferred inflow of resources in the amount of \$9,912 for the year ended June 30, 2018.

Changes of Assumptions or Other Inputs: Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. Changes of assumptions or other inputs resulted in a deferred outflow of resources in the amount of \$8,236 for the year ended June 30, 2018.

Differences between Projected and Actual Investment Earnings: Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$35,767 for the year ended June 30, 2018.

Change in Proportion: Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of resources in the amount of \$8,200 and a deferred inflow of resources in the amount of \$29,520 for the year ended June 30, 2018.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

CONTRIBUTIONS – PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of pension amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

ESTIMATES

The preparation of the schedule of employer allocations and the schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results may differ from those estimates.

RETIREMENT SYSTEM AUDIT REPORT

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to the report can be found on the Municipal Employees' Retirement System of Louisiana's website, www.mersla.com, or on the Louisiana Legislative Auditor's website, www.la.gov.

PAYABLES TO THE PENSION PLAN

At June 30, 2019, the Town reported a payable to the Municipal Employees' Retirement System of Louisiana of \$2,588 for the employer's portion of contractually required contributions to the pension plan for the month of June.

Municipal Police Employees' Retirement System (MPERS)

PLAN DESCRIPTION

The Town provides pension benefits for substantially all of its full-time police officers through the Municipal Police Employees' Retirement System of Louisiana. The retirement system is a cost-sharing multiple-employer defined benefit pension plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers.

The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

Membership Prior to January 1, 2013

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

Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3% and 2.5%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month, whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

PLAN DESCRIPTION – Continued

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

Initial Benefit Option Plan

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

EMPLOYER CONTRIBUTIONS

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2019, total contributions due for employers and employees was 40.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 30.75% and 8%,

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

EMPLOYER CONTRIBUTIONS – Continued

respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively. The Town of Krotz Springs' employer contributions to the Municipal Police Employees' Retirement System for the years ended 2019, 2018 and 2017 were \$0, \$0 and \$5,863, respectively, and were equal to the required contribution for each year.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2018 and excluded from pension expense was \$0.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, the Town did not report a net pension liability. At June 30, 2018, the Town's proportion was 0.00%, which was a decrease of 0.006713% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$(636) plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$103).

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>GOVERNMENTAL ACTIVITIES</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions and deferred outflows and inflows of resources	18,436	(51,331)
Employer contributions subsequent to the measurement date	-	-
Total	\$ 18,436	\$ (51,331)

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – Continued

The Town did not make contributions subsequent to the measurement date, therefore, did not report a deferred outflow of resources related to pensions. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (741)
2020	(19,175)
2021	(12,979)
2022	-
Total	<u>\$ (32,895)</u>

ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 actuarial funding valuation and were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation date	June 30, 2018	
Actuarial cost method	Entry age normal cost	
Investment rate of return	7.20%, net of investment expense	
Expected remaining service lives	2018 – 4 years	
	2017 – 4 years	
	2016 – 4 years	
	2015 – 4 years	
Inflation rate	2.60%	
Salary increases, including including inflation and merit	<u>Year of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.	
	RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.	
	RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Cost-of-living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and included previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS – Continued

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternative	20%	1.07%
Other	6%	0.17%
Totals	<u>100%</u>	<u>5.28%</u>
Inflation		2.75%
Expected Nominal Return		<u>8.03%</u>

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

At June 30, 2019, the Town did not report a net pension liability, therefore; did not report changes in the discount rate.

CHANGE IN NET PENSION LIABILITY

At June 30, 2019, the Town did not report a net pension liability, however, the Town did report deferred outflows of resources and deferred inflows of resources due to changes in proportion.

CONTRIBUTIONS – PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2018 were recognized in the current reporting period as pension expense except as follows:

Change in Proportion: Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-lien amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of resources in the amount of \$18,436 and a deferred inflow of resources in the amount of \$51,331 for the year ended June 30, 2018.

RETIREMENT SYSTEM AUDIT REPORT

The Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the Municipal Police Employees Retirement System's website, www.lampers.org, or on the Louisiana Legislative Auditor's website, www.lla.state.la.us.

ESTIMATES

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.

NOTE (4) - AD VALOREM TAXES

For the year ended June 30, 2019, the Town of Krotz Springs levied a general tax of 9.11 mills, the statutory maximum, on property with assessed valuation totaling \$31,474,370. Total tax levied was \$286,732. Taxes receivable at June 30, 2019 totaled \$6,501, net of the allowance for uncollectible accounts of \$13,874.

The Town's ad valorem tax, levied for the calendar year, is due on or before December 31 and becomes delinquent on January 1.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (5) - ACCOUNTS RECEIVABLE – ENTERPRISE FUNDS

The accounts receivable consist of gas, water and sewer billings uncollected as of June 30, 2019. An accounts receivable aging schedule is as follows:

Days		
Unbilled	\$	11,444
0 - 30		57,011
31 - 60		-
61 - 90		-
91 and older		6,480
<u>Total accounts receivable</u>		<u>74,935</u>
Less: allowance for uncollectible accounts		<u>(3,310)</u>
<u>Net accounts receivable</u>	\$	<u>71,625</u>

NOTE (6) - PROPRIETARY FUNDS – RESTRICTED ASSETS

Certain assets of the Enterprise Funds have been restricted for customers' deposits. These assets consist of cash and short-term investments totaling \$99,546.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (7) - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, for the Town of Krotz Springs is as follows:

	<u>Balances</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u> <u>June 30, 2019</u>
Governmental Activities				
Non-depreciable				
Land	\$ 795,247	\$ -	\$ -	\$ 795,247
Depreciable				
Land improvements	640,498	-	-	640,498
Building and improvements	1,586,460	9,712	-	1,596,172
Equipment	674,924	15,498	-	690,422
Furniture and fixtures	28,126	-	-	28,126
Other structures and improvements	715,949	4,084	-	720,033
<u>Total capital assets</u>	<u>4,441,204</u>	<u>29,294</u>	<u>-</u>	<u>4,470,498</u>
Less accumulated depreciation				
Land improvements	404,730	28,137	-	432,867
Building and improvements	710,632	42,526	-	753,158
Equipment	512,724	29,858	-	542,582
Furniture and fixtures	22,439	909	-	23,348
Other structures and improvements	585,074	16,390	-	601,464
<u>Total accumulated depreciation</u>	<u>2,235,599</u>	<u>117,820</u>	<u>-</u>	<u>2,353,419</u>
Governmental Activities				
Capital assets, net	<u>\$ 2,205,605</u>	<u>\$ (88,526)</u>	<u>\$ -</u>	<u>\$ 2,117,079</u>
	<u>Balances</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u> <u>June 30, 2019</u>
Business-type Activities				
Non-depreciable				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
Depreciable				
Waterworks and gas system	2,375,122	13,821	-	2,388,943
Waterworks furniture and equipment	149,000	14,719	-	163,719
Sewer plant and equipment	2,996,440	-	-	2,996,440
<u>Total capital assets</u>	<u>5,523,262</u>	<u>28,540</u>	<u>-</u>	<u>5,551,802</u>
Less accumulated depreciation				
Waterworks and gas system	2,272,614	11,194	-	2,283,808
Waterworks furniture and equipment	84,308	17,524	-	101,832
Sewer plant and equipment	1,838,278	85,589	-	1,923,867
<u>Total accumulated depreciation</u>	<u>4,195,200</u>	<u>114,307</u>	<u>-</u>	<u>4,309,507</u>
Business-type Activities				
Capital assets, net	<u>\$ 1,328,062</u>	<u>\$ (85,767)</u>	<u>\$ -</u>	<u>\$ 1,242,295</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (7) - CAPITAL ASSETS -- Continued

Depreciation expense was charged to governmental activities as follows:

General government	\$	55,403
Public safety - police		14,544
Public works - streets		31,483
Culture and recreation		16,390
<u>Total</u>	<u>\$</u>	<u>117,820</u>

NOTE (8) - ACCOUNTS AND OTHER PAYABLES

The accounts and other payables consisted of the following at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 20,382	\$ 10,257	\$ 30,639
Accrued payroll benefits	8,267	1,261	9,528
	<u>\$ 28,649</u>	<u>\$ 11,518</u>	<u>\$ 40,167</u>

NOTE (9) - CHANGES IN LONG-TERM DEBT

The Town of Krotz Springs entered into a loan agreement with AmeriCredit Financial Services, financed through GM Financial, for a Chevrolet Tahoe on October 11, 2017. The first monthly payment was due on November 11, 2017. The agreement requires monthly payments of \$947 for thirty-six months at an interest rate of 4.88% which are recorded in the General Fund, secured by the vehicle.

Compensated absences payable and capital lease payable in the Governmental Activities column relate to General Fund and are paid with General Fund sources. Compensated absences payable in the Business type activities are paid by Gas, Water, & Sewer Funds.

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2019.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Compensated absences payable at 7/01/18	\$ 25,758	\$ 15,180	\$ 40,938
Increase (decrease)	<u>11,076</u>	<u>6,290</u>	<u>17,366</u>
Compensated absences payable at 6/30/19	<u>\$ 36,834</u>	<u>\$ 21,470</u>	<u>\$ 58,304</u>
Due within one year	<u>\$ 1,507</u>	<u>\$ -</u>	<u>\$ 1,507</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (9) - CHANGES IN LONG-TERM DEBT - Continued

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital lease payable at 7/01/18	\$ 25,723	\$ -	\$ 25,723
Payments	<u>(10,299)</u>	<u>-</u>	<u>(10,299)</u>
Capital lease payable at 6/30/19	<u>\$ 15,424</u>	<u>\$ -</u>	<u>\$ 15,424</u>
Due within one year	<u>\$ 10,813</u>	<u>\$ -</u>	<u>\$ 10,813</u>

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,813	\$ 554	\$ 11,367
2021	<u>4,611</u>	<u>66</u>	<u>4,677</u>
	<u>\$ 15,424</u>	<u>\$ 620</u>	<u>\$ 16,044</u>

NOTE (10) - LEASE COMMITMENTS

The Town of Krotz Springs entered into a monthly operating lease for a postage meter machine. In October 2016, the Town received a new postage machine, increasing their quarterly payments to \$207. Four quarterly payments were made for \$207. Lease expense at June 30, 2019 totaled \$345.

NOTE (11) - INTERFUND RECEIVABLES, PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds" in the fund financial statements. In the government-wide financial statements, interfund receivables and payables are eliminated within the governmental activities and within the business-type activities. All of these accounts are expected to be repaid within one year from the date of the financial statements.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (11) - INTERFUND RECEIVABLES, PAYABLES -- Continued

Interfund receivables and payables in the fund financial statements are as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
Governmental Funds		
General Fund	\$ 2,669	\$ 41,602
Sales Tax Fund	11,268	-
Proprietary Funds		
Gas Fund	13,456	-
Water Fund	20,176	5,339
Sewer Fund	6,807	7,435
	\$ 54,376	\$ 54,376

NOTE (12) - INTERFUND TRANSFERS

Transfers consisted of the following at June 30, 2019:

	Transfers In	Transfers Out
Major Funds		
Governmental Funds		
General Fund	\$ 161,677	\$ 9,576
Sales Tax Fund	-	159,713
Proprietary Funds		
Gas Fund	2,045	-
Water Fund	5,601	1,965
Sewer Fund	1,931	-
	\$ 171,254	\$ 171,254

Transfers are used to (a) move revenues from the fund that statute or budget requires them to the fund that statute requires to expend them and to (b) use unrestricted revenues collected in the utility fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE (13) - RISK MANAGEMENT

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and worker's compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in insurance coverage during the year, nor have settlements exceeded coverage for the last three years.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE (14) - FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balances are detailed according to balance classification and fund.

	<u>General Fund</u>	<u>Sales Tax</u>	<u>Total</u>
Fund Balances:			
Nonspendable:	\$ -	\$ -	\$ -
Restricted:	-	1,353,481	1,353,481
Committed:	-	-	-
Assigned:			
Unassigned:	<u>1,132,829</u>	<u>-</u>	<u>1,132,829</u>
Total fund balances	<u>\$ 1,132,829</u>	<u>\$ 1,353,481</u>	<u>\$ 2,486,310</u>

NOTE (15) - CONTINGENCIES

At June 30, 2019, the Town is involved in two lawsuits. In the opinion of management and/or legal counsel for the Town of Krotz Springs, resolution of this lawsuit will not involve any material liability (after meeting the insurance deductible of \$2,500) to the Town of Krotz Springs. This amount is immaterial to the financial statements, and as a result, has not been recorded.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 575,567	\$ 560,512	\$ 562,558	\$ 2,046
Licenses and permits	31,069	30,655	58,860	28,205
Intergovernmental	58,876	52,575	57,125	4,550
Charges for services	19,280	28,198	27,087	(1,111)
Fines and forfeits	248,095	419,820	448,776	28,956
Investment income	4,501	6,243	7,120	877
Miscellaneous	35,520	20,211	33,509	13,298
<u>Total revenues</u>	<u>972,908</u>	<u>1,118,214</u>	<u>1,195,035</u>	<u>76,821</u>
<u>EXPENDITURES</u>				
Current				
General and administrative	483,413	470,487	451,778	18,709
Street department	106,188	63,559	79,075	(15,516)
Police department	481,795	557,790	562,623	(4,833)
Recreation department	44,197	53,004	62,618	(9,614)
Debt service	12,446	12,092	11,367	725
<u>Total expenditures</u>	<u>1,128,039</u>	<u>1,156,932</u>	<u>1,167,461</u>	<u>(10,529)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(155,131)</u>	<u>(38,718)</u>	<u>27,574</u>	<u>66,292</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	410,785	159,712	161,677	1,965
Transfers out	-	-	(9,576)	(9,576)
<u>Total other financing sources (uses)</u>	<u>410,785</u>	<u>159,712</u>	<u>152,101</u>	<u>(7,611)</u>
<u>NET CHANGE IN FUND BALANCE</u>				
	<u>\$ 255,654</u>	<u>\$ 120,994</u>	<u>179,675</u>	<u>\$ 58,681</u>
<u>FUND BALANCE, beginning of year</u>			<u>953,154</u>	
<u>FUND BALANCE, end of year</u>			<u>\$ 1,132,829</u>	

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2019

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>REVENUES</u>				
Taxes				
Sales tax collections	\$ 458,486	\$ 364,708	\$ 373,849	\$ 9,141
Investment income				
Interest income	1,931	4,015	7,204	3,189
<u>Total revenues</u>	<u>460,417</u>	<u>368,723</u>	<u>381,053</u>	<u>12,330</u>
<u>EXPENDITURES</u>				
Current				
General and administrative				
Collection fees	5,000	4,000	3,560	440
<u>Total expenditures</u>	<u>5,000</u>	<u>4,000</u>	<u>3,560</u>	<u>440</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>455,417</u>	<u>364,723</u>	<u>377,493</u>	<u>12,770</u>
<u>OTHER FINANCING USES</u>				
Transfers out	(410,785)	(159,712)	(159,713)	(1)
<u>Total other financing uses</u>	<u>(410,785)</u>	<u>(159,712)</u>	<u>(159,713)</u>	<u>(1)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ 44,632</u>	<u>\$ 205,011</u>	217,780	<u>\$ 12,769</u>
<u>FUND BALANCE</u> , beginning of year			1,135,701	
<u>FUND BALANCE</u> , end of year			<u>\$ 1,353,481</u>	

PENSION PLAN SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

Schedule for Municipal Employee Retirement System:

Date*	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
2019	0.260182%	\$ 220,070	\$ 194,375	113.22%	65.60%
2018	0.326744%	282,710	240,713	117.45%	62.49%
2017	0.303795%	251,818	223,195	112.82%	63.34%
2016	0.293065%	199,181	220,960	90.14%	66.18%
2015	0.358330%	165,689	189,016	87.66%	76.94%

Schedule for Municipal Police Employee Retirement System:

Date*	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
2019	0.000000%	\$ -	\$ -	0.00%	71.89%
2018	0.006713%	58,607	-	0.00%	70.08%
2017	0.009894%	92,735	26,624	348.31%	66.04%

*The amounts presented have a measurement date of the previous fiscal year end.

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule for Municipal Employee Retirement System:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2019	\$ 29,444	\$ 29,444	\$ -	\$ 210,314	14.00%
2018	25,755	25,548 [¶]	207	194,375 [¶]	13.25% [¶]
2017	26,434 [¶]	26,678 [¶]	(244)	240,713 [¶]	11.00% [¶]
2016	21,204 [¶]	20,664 [¶]	540	223,195 [¶]	9.50% [¶]
2015	20,991 [¶]	20,982 [¶]	9	220,960 [¶]	9.50% [¶]

Schedule for Municipal Police Employee Retirement System:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2019	\$ -	\$ -	\$ -	\$ -	0.0%
2018	-	- [¶]	-	- [¶]	0.0%
2017	6,363 [¶]	5,863 [¶]	500	20,040 [¶]	31.8% [¶]

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

(1) BUDGETS AND BUDGETARY ACCOUNTING

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

1. A public meeting is scheduled by the Town Council after allowing for at least 10 days notice to the public at the time the budget is initially submitted to the Town Council.
2. The budget must be finally adopted by the Council no later than the last day of the preceding fiscal year.
3. The Mayor and Town Council may authorize transfers of budgetary amounts within departments and revisions requiring alteration of levels of expenditures or transfers between departments.
4. Operating appropriations, to the extent not expended or encumbered, lapse at year-end. Capital appropriations continue in force until the project is completed or deemed abandoned.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(2) PENSION PLANS

Changes of assumptions – Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans. These assumptions include the rate of investment return, mortality of plan members, rate of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plan.

OTHER SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

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. The General Fund has a greater number and variety of revenue sources than any other fund, and its resources normally finance a wider range of activities. The resources of the General Fund are ordinarily largely expended and replenished on an annual basis.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>TAXES</u>			
Property taxes	\$ 292,327	297,846	\$ 5,519
Franchise - Electric	267,420	263,947	(3,473)
Franchise - Cable television	765	765	-
<u>Total taxes</u>	<u>560,512</u>	<u>562,558</u>	<u>2,046</u>
<u>LICENSES AND PERMITS</u>			
Liquor licenses	2,110	2,645	535
Insurance licenses	12,340	34,415	22,075
Occupational licenses	16,205	16,705	500
Building and moving permits	-	5,095	5,095
<u>Total licenses and permits</u>	<u>30,655</u>	<u>58,860</u>	<u>28,205</u>
<u>INTERGOVERNMENTAL</u>			
State beer tax	2,381	2,377	(4)
Housing authority	2,238	1,938	(300)
Video poker fees	20,666	21,448	782
Racino income	27,290	31,362	4,072
<u>Total intergovernmental</u>	<u>52,575</u>	<u>57,125</u>	<u>4,550</u>
<u>CHARGES FOR SERVICES</u>			
Building and park rental	14,545	22,807	8,262
Recreation income	12,076	2,561	(9,515)
Library income	1,577	1,719	142
<u>Total charges for services</u>	<u>28,198</u>	<u>27,087</u>	<u>(1,111)</u>
<u>FINES AND FORFEITS</u>			
Court fines	419,820	448,776	28,956
<u>Total fines and forfeits</u>	<u>419,820</u>	<u>448,776</u>	<u>28,956</u>
<u>INVESTMENT INCOME</u>			
Interest income	6,243	7,120	877
<u>Total investment income</u>	<u>6,243</u>	<u>7,120</u>	<u>877</u>

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>MISCELLANEOUS</u>			
Grass cutting	\$ 5,665	\$ 9,655	\$ 3,990
Other	14,546	23,854	9,308
<u>Total miscellaneous</u>	<u>20,211</u>	<u>33,509</u>	<u>13,298</u>
<u>Total revenues</u>	<u>\$ 1,118,214</u>	<u>\$ 1,195,035</u>	<u>\$ 76,821</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>GENERAL AND ADMINISTRATIVE</u>			
<u>Personal services</u>			
Salaries	\$ 146,828	\$ 144,752	\$ 2,076
Mayor and council	28,550	29,275	(725)
Payroll taxes	12,852	12,301	551
Retirement	23,368	14,306	9,062
<u>Supplies</u>			
Supplies and postage	68,140	44,633	23,507
Uniforms	1,449	4,400	(2,951)
<u>Other</u>			
Insurance	43,093	41,098	1,995
Utilities	27,118	26,751	367
Conventions and conferences	1,927	6,423	(4,496)
Telephone	12,477	12,397	80
Legal and professional	9,382	8,499	883
Repairs and maintenance	20,768	21,602	(834)
Miscellaneous	55,305	54,623	682
Publications and notices	820	665	155
Dues and subscriptions	3,105	5,758	(2,653)
Pest control	546	551	(5)
Lease expense	825	345	480
Bank charges	-	20	(20)
Tax rolls and election expense	2,358	1,350	1,008
Coroner fees	1,378	800	578
Meals	485	9,537	(9,052)
<u>Capital outlay</u>			
Equipment and improvements	9,713	11,692	(1,979)
<u>Total general and administrative</u>	470,487	451,778	18,709

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<u>STREET DEPARTMENT</u>			
<u>Personal services</u>			
Salaries	\$ 16,096	\$ 18,217	\$ (2,121)
Payroll taxes	1,177	1,051	126
<u>Supplies</u>			
Gasoline	11,242	14,871	(3,629)
Supplies	12,201	19,498	(7,297)
<u>Other</u>			
Repairs and maintenance	7,998	15,743	(7,745)
Insurance	5,235	4,335	900
Telephone	3,121	2,778	343
Miscellaneous	1,379	1,111	268
Meals	1,579	1,383	196
Drug testing	-	88	(88)
Utilities	154	-	154
<u>Capital outlay</u>			
Equipment and improvements	3,377	-	3,377
<u>Total street department</u>	<u>63,559</u>	<u>79,075</u>	<u>(15,516)</u>
<u>POLICE DEPARTMENT</u>			
<u>Personal services</u>			
Salaries	336,271	341,924	(5,653)
Payroll taxes	27,848	28,587	(739)
Compensated absences	-	1,507	(1,507)
<u>Supplies</u>			
Office supplies and postage	1,629	1,466	163
Supplies	2,280	1,936	344
Uniforms	4,137	4,558	(421)
Gasoline	19,609	20,796	(1,187)
<u>Other</u>			
Insurance	94,518	88,410	6,108
Telephone	6,993	7,743	(750)

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<u>POLICE DEPARTMENT - Continued</u>			
<u>Other - Continued</u>			
Utilities	\$ 306	\$ -	\$ 306
Repairs and maintenance	10,086	8,485	1,601
Prisoners' meals	176	283	(107)
Auto expense	16,575	12,774	3,801
Dues and subscriptions	12,784	14,067	(1,283)
Conventions and conferences	850	2,472	(1,622)
Miscellaneous	2,106	1,572	534
Legal and professional	7,789	6,699	1,090
Drug testing	875	681	194
LA Community Law Enforcement	3,440	3,806	(366)
Equipment rental	-	1,339	(1,339)
<u>Capital outlay</u>			
Vehicles and equipment	9,518	13,518	(4,000)
<u>Total police department</u>	<u>557,790</u>	<u>562,623</u>	<u>(4,833)</u>
 <u>RECREATION DEPARTMENT</u>			
<u>Personal services</u>			
Salaries	11,752	9,952	1,800
Payroll taxes	350	310	40
<u>Supplies</u>			
Materials and supplies	15,572	9,353	6,219
<u>Other</u>			
Utilities	3,868	3,486	382
Miscellaneous	-	90	(90)
Insurance	8,505	7,005	1,500
Accounting and audit	7,951	6,848	1,103
Telephone	957	1,023	(66)
Repairs and maintenance	4,049	12,467	(8,418)
Entry fees - park activity	-	8,000	(8,000)
<u>Capital outlay</u>			
Equipment	-	4,084	(4,084)
<u>Total recreation department</u>	<u>53,004</u>	<u>62,618</u>	<u>(9,614)</u>
 <u>DEBT SERVICE</u>			
Lease expense, police	11,367	11,367	-
Note payment, streets	725	-	725
<u>Total debt service</u>	<u>12,092</u>	<u>11,367</u>	<u>725</u>
 <u>Total expenditures</u>	 <u>\$1,156,932</u>	 <u>\$1,167,461</u>	 <u>\$ (10,529)</u>

OTHER SUPPLEMENTARY SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

GAS FUND

Personal services

Salaries	\$ 52,891
Payroll taxes	3,931
Compensated absences	3,259
Retirement	1,823

Contractual services

Gas purchases	25,922
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Supplies

Office supplies and postage	880
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Other

Repairs and maintenance	3,548
Insurance	18,854
Miscellaneous	1,156
Legal and professional	9,211
Dues and subscriptions	560
Pipeline fees	1,550
Workshops and training	6,468

Depreciation

1,366

Total gas fund

\$ 131,419

WATER FUND

Personal services

Salaries	\$ 91,311
Payroll taxes	7,035
Compensated absences	1,581
Retirement	16,264

Supplies

Materials and supplies	22,139
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Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

WATER FUND - Continued

<u>Other</u>	
Dues and subscriptions	\$ 6,365
Repairs and maintenance	32,392
Insurance	47,611
Legal and professional	20,284
Utilities	20,951
Telephone	1,357
Miscellaneous	616
Water pollution control fee	7,918
Workshops and training	920
Uniforms	2,887
<u>Depreciation</u>	<u>27,353</u>
<u>Total water fund</u>	<u>\$ 306,984</u>

SEWER FUND

<u>Personal services</u>	
Salaries	\$ 30,077
Payroll taxes	2,298
Compensated absences	1,450
Retirement	1,996
<u>Contractual services</u>	
Survey expense	2,506
<u>Supplies</u>	
Office supplies and postage	1,009
<u>Other</u>	
Dues and subscriptions	100
Repairs and maintenance	20,221
Insurance	15,700
Legal and professional	6,761
Utilities	11,386
Miscellaneous	77
Uniforms	1,118
<u>Depreciation</u>	<u>85,589</u>
<u>Total sewer fund</u>	<u>\$ 180,288</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
COMBINED SCHEDULE OF INVESTMENTS – ALL FUNDS
JUNE 30, 2019

<u>GENERAL FUND</u>	<u>INTEREST RATES</u>	<u>MATURITY</u>	<u>TOTAL BOOK VALUE</u>
Certificate of Deposit American Bank and Trust Co.	1.15%	1/3/2020	\$ 100,000
Certificate of Deposit American Bank and Trust Co.	1.25%	1/3/2020	50,000
Certificate of Deposit American Bank and Trust Co.	1.25%	12/8/2019	75,000
<u>SALES TAX FUND</u>			
Certificate of Deposit American Bank and Trust Co.	1.25%	12/8/2019	100,000
Certificate of Deposit American Bank and Trust Co.	1.25%	12/8/2019	150,000
Certificate of Deposit American Bank and Trust Co.	1.25%	12/8/2019	150,000
Investment in Louisiana Asset Management Pool	N/A	N/A	119,759
<u>ENTERPRISE FUNDS</u>			
Certificate of Deposit American Bank and Trust Co.	1.25%	10/1/2019	15,140
Certificate of Deposit American Bank and Trust Co.	1.25%	9/30/2019	83,190
Certificate of Deposit American Bank and Trust Co.	1.25%	10/1/2019	57,866
Certificate of Deposit American Bank and Trust Co.	1.25%	12/8/2019	96,131
Certificate of Deposit American Bank and Trust Co.	1.25%	9/30/2019	59,421
Investment in Louisiana Asset Management Pool	N/A	N/A	451,309
Investment in Louisiana Asset Management Pool	N/A	N/A	332,930
Investment in Louisiana Asset Management Pool	N/A	N/A	59,879
Investment in Louisiana Asset Management Pool	N/A	N/A	86,227
<u>Total</u>			<u>\$ 1,986,852</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
(UNAUDITED)
JUNE 30, 2019

POLICY NUMBER	INSURER	ASSETS COVERED	TYPE OF COVERAGE	LIMITS OF COVERAGE	EFFECTIVE DATES	
					FROM	TO
5X0954820	Employer's Mutual Casualty Company	Blanket policy on building occupied as police station, jail and city hall and contents, and buildings in parks	Commercial Property Coverage	Various	3/14/2019	3/14/2020
1148-2019-7003	Louisiana Municipal Risk Management Agency	Workmen's Compensation	Workmen's Compensation	\$500,000	2/16/2019	2/16/2020
LMA1900029	Lane & Associates Inc.	Various autos	Physical damage policy	Various	2/14/2019	2/14/2020
GLL1800170	Lane & Associates Inc.	2006 Volvo EC35 excavator 2012 Case Loader/Backhoe	Physical damage policy	\$89,957	3/16/2019	3/16/2020
1148-2019-17028	Louisiana Municipal Risk Management Agency	Various autos	Uninsured motorists, collision, property coverage	\$500,000	3/14/2019	3/14/2020
1148-2019-17028	Risk Management Inc.	Law Enforcement Professional Liability	Personal injury & Property damage	\$500,000	3/14/2019	3/14/2020
1148-2019-17028	Risk Management Inc.	Public Official's Liability Policy	Errors & Omissions	\$500,000	3/14/2019	3/14/2020
1148-2019-17028	Risk Management Inc.	General Liability	Bodily injury & Property damage	\$500,000	3/14/2019	3/14/2020
6AGP0000006424500	Nationwide Life Insurance Company	Summer recreation program	Liability policy	\$5,000	3/1/2019	8/1/2019

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO GOVERNING BODY
FOR THE YEAR ENDED JUNE 30, 2019

COMPENSATION TO BOARD MEMBERS

The compensation of the Town of Krotz Springs' governing body is included in the general administrative expenditures of the General Fund. The Mayor is paid \$1,200 per month and the board members are paid \$250 per month. Board members are also paid \$125 for any special meetings attended.

		<u>COMPENSATION</u>
Carroll Snyder, Mayor	July - June	\$ 14,400
Cynthia Stelly, Alderwoman	July - June	2,875
Nyssa Godwin, Alderwoman	July - June	3,125
Craig Burghdoff, Alderman	July - June	3,125
Keith Ardoin, Alderman	July - June	3,125
Andre' Lanclos, Alderman	July - Dec	1,250
Larry Martinez, Alderman	Jan - June	1,375
		<hr/>
		\$ 29,275
		<hr/> <hr/>

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2019

Agency Head Name: Carroll Snyder, Mayor

Purpose	Amount
Salary	0
Benefits-insurance	0
Benefits-retirement	0
Benefits-other	0
Car allowance	2,400
Vehicle provided by government	0
Per diem	12,000
Reimbursements	50
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses*	0
Special meals	0

Champagne & Company, LLC

Certified Public Accountants

Russell F. Champagne, CPA, CGMA*
Penny Angelle Scruggins, CPA, CGMA*

Shayne M. Breaux, CPA
Kaylee Champagne Frederick, CPA

113 East Bridge Street
PO Box 250
Breaux Bridge, LA 70517
Phone: (337) 332-4020
Fax: (337) 332-2867

*A Professional Accounting Corporation

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

The Honorable Carroll Snyder, Mayor
and Members of the Board of Aldermen
Krotz Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Krotz Springs, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Krotz Springs, Louisiana's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Krotz Springs, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Krotz Springs, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Krotz Springs, Louisiana's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report maybe limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
December 10, 2019

TOWN OF KROTZ SPRINGS, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Years Ended June 30, 2019 and 2018

I. Prior year Findings:

Internal Control Over Financial Reporting

There were no matters involving the internal control over financial reporting to be reported.

Compliance:

There were no compliance findings to be reported.

Management Letter:

There were no management letter items to be reported.

II. Current Year Findings and Management Corrective Action Plan:

Internal Control Over Financial Reporting

There were no matters involving the internal control over financial reporting to be reported.

Compliance:

There were no compliance findings to be reported.

Management Letter:

There were no management letter items to be reported.

TOWN OF KROTZ SPRINGS, LOUISIANA
Statewide Agreed-upon Procedures Report

Year Ended June 30, 2019

Champagne & Company, LLC

Certified Public Accountants

Russell F. Champagne, CPA*
Penny Angelle Scruggins, CPA*

Shayne M. Breaux, CPA
Kaylee Champagne Frederick, CPA

113 East Bridge Street
PO Box 250
Breaux Bridge, LA 70517
Phone: (337) 332-4020
Fax: (337) 332-2867

*A Professional Accounting Corporation

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management of Town of Krotz Springs and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of Town of Krotz Springs and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. Management of Town of Krotz Springs is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and address the functions noted above.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and do not address items 1 and 2. The Town of Krotz Springs does not use purchase requisitions and purchase orders, therefore, item 3 is not applicable. Items 4 and 5 are addressed.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
Written policies and procedures were obtained and address the functions noted above, except that management's actions to determine completeness of collections is not addressed.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
Written policies and procedures were obtained and address the functions noted above.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
Written policies and procedures were obtained and address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Written policies and procedures were obtained and address the functions noted above.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
Written policies and procedures were obtained and address the functions noted above.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Written policies and procedures were obtained and address the functions noted above.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
Written policies and procedures were obtained and address the functions noted above.

Board or Finance Committee

Board or Finance Committee procedures were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Bank Reconciliations were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained listing of deposit sites and management's representation that listing is complete.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their

job duties) at each collection location and observe that job duties are properly segregated at each collection location such that :

Obtained listing of collection locations for each deposit site and management's representation that the listing is complete. Obtained written representation and procedures relating to employee job duties.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Written documentation was obtained, noting that employees who have access to cash are covered by a bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Of the 10 deposits selected, we noted one deposit that was not deposited within 1 business day.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

Non-Payroll Disbursements were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Credit Card procedures were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

Travel and Travel-Related Expense Reimbursements were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

Contracts were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing or general ledger is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of employees and management's representation that the listing is complete.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and;

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

There was no indication of supervisor approval for all employees selected for attendance and leave testing.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/official's cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/official's personnel files.

We noted that one termination payment was not paid in accordance with cumulative records; this employee was overpaid \$207.60. No other exceptions noted.

19. Obtain management's representation that employer and employee portion of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Employer and employee portion of payroll taxes, retirement contributions, and workers' compensation premiums, as well as associated forms, have been paid/filed by required deadlines. Some health insurance premiums were not paid timely.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Of the 5 employees/officials tested, 1 employee did not have documentation of completed ethics training during the fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Of the 5 employees/officials tested, 4 employees did not demonstrate by signature verification that the employee/official read the entity's ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Debt Service procedures were not tested at June 30, 2019 (Year 3) due to the fact that this area was not tested in prior year (Year 2) and the Town did not issue debt in Year 3.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Other procedures were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions noted in prior year (Year 2).

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPS. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPS, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
December 10, 2019

TOWN OF KROTZ SPRINGS, LOUISIANA

Krotz Springs, Louisiana

Management's Response to Statewide Agreed-Upon Procedures

For the Year Ended June 30, 2019

Management's Response to Item:

- 1b, 1d Exceptions relate to the omission in the policies and procedures of purchasing procedures related to initiation of purchases and adding vendors to the system and completeness procedures related to management's actions to determine completion of collections. These procedures are in place. Management will add these procedures to the policies and procedures.
- 7d Exception relates to deposits not being made timely. Efforts will be made to deposit cash more timely, especially when a certain threshold of cash is received.
- 18 Exception relates to a termination payment not being made in accordance with cumulative records. Management will ensure that future termination payments are made in accordance with cumulative records.
- 19 Exception relates to untimely submission of health insurance premiums, as a result of receiving invoices late. Management has begun receiving invoices electronically and paying these premiums timely.
- 20a Exception relates to lack of documentation demonstrating completion of ethics for one employee. Management will enforce their policy for completion of annual ethics for all employees and board members.
- 20b Exception relates to lack of signature verification for 4 employees/officials attesting that they had read the entity's ethics policy. Management will enforce their policy in place requiring all employees/officials to attest that they have read the entity's ethics policy on an annual basis.