

Town of Kentwood, Louisiana

Annual Financial Statements

As of and for the Year Then Ended December 31, 2018
With Supplemental Information Schedules

**Town of Kentwood
Annual Financial Statements
As of and for the Year Ended December 31, 2018
With Supplemental Information Schedules**

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Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@huntbrothers.net

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Rochelle Bates
And Members of the Board (Town Council)
Kentwood, LA 70444

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2018, 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Town's Proportionate Share of Net Pension Liability, and Schedule of the Town's Contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

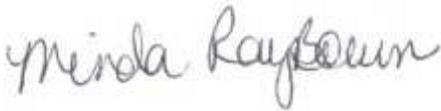
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kentwood, Louisiana's basic financial statements. The accompanying schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basis financial statements. The accompanying schedule listed as Financial Data Schedules Required by the U.S. Department of Housing and Urban Development in the table of contents are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The information for the year ended December 31, 2018 in the schedules listed as Other Supplemental Information and the Financial Data Schedules Required by the U.S. Department of Housing and Urban Development are the responsibility of management and were 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 my opinion, the information for the year ended December 31, 2018 in the schedules listed as Other Supplemental Information and the Financial Data Schedules Required by the U.S. Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining and individual fund statements, statistical sections, schedule of insurance, schedule of compensation paid to board members, and schedule of compensation, benefits, and other payments to agency head were 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2019, on my consideration of the Town of Franklinton's internal control over financial reporting and on my 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 my 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 Town of Franklinton's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA

September 14, 2019

Required Supplemental Information (Part I)
Management's Discussion and Analysis

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Introduction

The Town of Kentwood (the Town) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), as amended. The amendment of GASB 34, including the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and applicable standards are more fully described in the financial statement footnotes as *Footnote 1 – Summary of Significant Accounting Policies*.

The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any significant variations from the Town's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements on pages 18 through 29 of this report.

Financial Highlights

- At December 31, 2018, the Town's assets exceeded its liabilities by \$5,665,684 (net position). Of this amount, \$1,390,850 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens.
- For the year ended December 31, 2018, the Town's total net position increased by \$469,068.
- At December 31, 2018, the Town's governmental funds reported combined ending fund balances of \$2,438,777, a decrease of \$591,978 for the year. Of this amount, \$247,288 or ten percent is available for spending at the Town's discretion (unassigned fund balances).
- At December 31, 2018, the Town's proprietary funds reported combined ending net position of \$2,446,173, an increase of \$141,202 for the year. Unrestricted net position has a balance of \$127,166.
- For the year ended December 31, 2018, the Town's total long term debt for the proprietary fund decreased by \$128,462, due to principal payments of \$128,462.
- For the year ended December 31, 2018, the Town's total long term debt for governmental activities decreased by \$72,080, including bond premium, due to principal payments of \$79,612.

Overview of the Annual Financial Report

The financial statement focus is on both the Town as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support are presented in separate columns along with a total column for the primary government. If the Town determines that presentation of a component unit (which are other governmental units for which the Town can exercise significant influences or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote. For the current fiscal year, the Town of Kentwood has no component units.

The Statement of Net Position presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the Town's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

In both of the government-wide financial statements, the Town's activities are divided into two types:

Governmental activities - Most of the Town's basic services are reported here, including general government, public safety, streets and sanitation, health and welfare, and culture and recreation. These activities are financed primarily by property taxes, franchise taxes, sales taxes, fire insurance rebates, and fines.

Business-type activities - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water, natural gas, and sewer utility systems are reported in this section.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town uses two categories of funds to account for financial transactions: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Governmental funds are used to account for most of the Town's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary funds account for water, natural gas, and sewer utility services provided by the Town to its customers. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position in this report.

Net Position 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Assets:						
Current and Other Assets	\$ 2,849,237	\$ 3,200,426	\$ 759,817	\$ 780,535	\$ 3,609,054	\$ 3,980,961
Capital Assets	2,917,134	2,050,088	4,862,134	5,021,376	7,779,268	7,071,464
Total Assets	5,766,371	5,250,514	5,621,951	5,801,911	11,388,322	11,052,425
Deferred Outflows of Resources						
Pension Related	366,978	388,745	77,785	105,306	444,763	494,051
Total Deferred Outflows of Resources	366,978	388,745	77,785	105,306	444,763	494,051
Liabilities:						
Long-Term Debt Outstanding	2,275,239	2,374,329	2,827,811	3,037,723	5,103,050	5,412,052
Other Liabilities	531,540	264,277	404,576	557,993	936,116	822,270
Total Liabilities	2,806,779	2,638,606	3,232,387	3,595,716	6,039,166	6,234,322
Deferred Inflows of Resources						
Pension Related	107,059	109,008	21,176	6,530	128,235	115,538
Total Deferred Inflows of Resources	107,059	109,008	21,176	6,530	128,235	115,538
Net Position:						
Net Investment in Capital Assets	1,653,482	1,639,210	2,314,409	2,369,972	3,967,891	4,009,182
Restricted	302,345	415,543	4,598	527	306,943	416,070
Unrestricted	1,263,684	836,892	127,166	(65,528)	1,390,850	771,364
Total Net Position	\$ 3,219,511	\$ 2,891,645	\$ 2,446,173	\$ 2,304,971	\$ 5,665,684	\$ 5,196,616

Approximately seventy percent of the Town's net position reflects its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately five percent of the Town's net position represents resources that are subject to external restriction on how they may be used. The Town's restricted net position consists of cash reserves required by revenue bond agreements and cash for customer deposits net of corresponding liabilities.

Approximately twenty-five percent of the Town's net position is unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for separate governmental activities and business-type activities. The prior fiscal year reported positive balances for the Town as a whole, as well as for separate governmental activities. Business-type activities had a deficit unrestricted balance of (\$65,528) in the prior year.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table.

Changes in Net Position For the years ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:		(Restated)		(Restated)		(Restated)
Program Revenues:						
Charges for Services	\$ 311,485	\$ 332,522	\$ 2,220,351	\$ 1,856,093	\$ 2,531,836	\$ 2,188,615
Operating Grants and Contributions	77,000	83,109	6,450	7,987	83,450	91,096
Capital Grants and Contributions	345,240	28,576	12,000	-	357,240	28,576
General Revenues:						
Taxes	1,275,917	1,174,876	-	-	1,275,917	1,174,876
Tang Fire Dist 2 Allocation	582,479	561,294	-	-	582,479	561,294
Interest Income	48,698	19,364	7,242	10,672	55,940	30,036
Donations	17,075	297	-	-	17,075	297
Miscellaneous	12,508	15,810	550	1,050	13,058	16,860
On Behalf Payments	91,574	86,879	-	-	91,574	86,879
Other Nonoperating Revenue-Oil Lease	-	1,925	-	-	-	1,925
Gain (Loss) on Sale of Assets	673	1,500	-	-	673	1,500
Total Revenues	2,762,649	2,306,152	2,246,593	1,875,802	5,009,242	4,181,954
Expenses:						
General Government	992,482	867,125	-	-	992,482	867,125
Public Safety - Police Protection	754,509	763,628	-	-	754,509	763,628
Public Safety - Fire Protection	622,676	583,537	-	-	622,676	583,537
Public Works - Streets and Sanitation	578,935	569,897	-	-	578,935	569,897
Health and Welfare	6,594	13,188	-	-	6,594	13,188
Recreation	27,783	60,109	-	-	27,783	60,109
Economic Development	12,213	12,514	-	-	12,213	12,514
Bond Interest Expense	36,063	11,793	-	-	36,063	11,793
Capital Lease Interest	8,195	10,842	-	-	8,195	10,842
Water, Gas, and Sewer Utility	-	-	1,088,081	1,049,636	1,088,081	1,049,636
Housing Assistance	-	-	386,281	380,361	386,281	380,361
Total Expenses	3,039,450	2,892,633	1,474,362	1,429,997	4,513,812	4,322,630
Change in Net Position Before Transfers	(276,801)	(586,481)	772,231	445,805	495,430	(140,676)
Transfers (Out) In	604,667	(29,481)	(631,029)	18,312	(26,362)	(11,169)
Change in Net Position	327,866	(615,962)	141,202	464,117	469,068	(151,845)
Net Position, Beginning Before Prior Per Adj	2,837,593	3,453,555	2,294,730	1,830,613	5,132,323	5,284,168
Prior Period Adjustment	54,052	54,052	10,241	10,241	64,293	64,293
Net Position, Beginning Restated	2,891,645	3,507,607	2,304,971	1,840,854	5,196,616	5,348,461
Net Position, Ending	\$ 3,219,511	\$ 2,891,645	\$ 2,446,173	\$ 2,304,971	\$ 5,665,684	\$ 5,196,616

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Governmental Activities

The Town's governmental net position increased by \$327,866 or eleven percent of the prior year ending net position of \$2,891,645.

Sales taxes increased \$18,398 to a balance of \$868,701 at December 31, 2018. Ad Valorem taxes increased by \$77,540 totaling \$348,971 at fiscal year-end. The allocation for the Kentwood Volunteer Fire Department, from the Tangipahoa Rural Fire Protection District No. 2, increased by \$21,185 from \$561,294 at December 31, 2017, to \$582,479 at December 31, 2018.

Increases in expenditures were most notable for General Government, with a \$125,357 increase for 2018 (14%), increasing from \$867,125 at prior fiscal year end to \$992,482 at December 31, 2018. For general government expenses, the biggest increase was for bridge repairs due to the Flooding in 2016 of \$166,922.

Business-Type Activities

The business-type activities recorded an increase in net position of \$141,202 as compared to the 2017 increase in net position of \$464,117. The nonoperational increase in net position was caused by \$631,029 increase of net operating transfer out in the current year. Net position before transfers for all business activities increased by \$772,231 in 2018, as compared to \$445,805 for 2017. Total operating expenses for the Utility Fund increased \$38,445 or four percent. Utility charges for services increased approximately \$364,258 or twenty percent in 2017. Housing assistance costs increased \$5,920 or about two percent for 2018.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$2,438,777, \$1,428,110 of which is assigned for the volunteer fire department, \$104,989 is restricted for capital projects, \$80,876 is assigned for the LHFA fund for current repair work on units and future projects, \$221,831 is restricted for recreation operations or construction, \$27,767 is restricted for debt service relating to recreations, and \$276,414 is restricted for construction due to bond proceeds. An amount of \$247,288 is unassigned and available for spending at the Town's discretion. An amount of \$51,502 is in prepaid assets and is unspendable.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$374,506. The General Fund had \$247,288 unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund unassigned fund balance represents eight percent of total general fund expenditures.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Governmental Fund Budgetary Highlights

Total revenues and other sources and total expenditures and other uses for the Town of Kentwood were within five percent of budgeted revenues and other sources and expenditures and other uses for the fiscal year ending December 31, 2018 for the General Fund and Special Revenue Funds, except for the LHFA Fund. In the LHFA Fund, expenditures and other uses were more than five percent of the budgeted expenditures and other uses. Actual expenditures were \$1,130 more than budgeted expenditures.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$7,779,268 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$729,520 (net of depreciation).

A bush hog for the street department was purchased for \$1,928. The police department had vehicles and equipment with a fair market value of \$15,000 donated. A computer for the administrative department was purchased at a cost of \$1,115. A flag pole and flag was purchased for \$2,965 with funds from an Entergy Grant. Costs of \$985,739 were incurred during the fiscal year for the park project.

The Town sold two Ford Crown Victorias for \$750 during the fiscal year. The original cost of the equipment was \$11,328 and had \$11,251 of accumulated depreciation.

In the business-type activities, the Town signed an agreement in 2013 with Owen and White for a new water well and water tank rehabilitation. Costs of \$57,199 were incurred during the fiscal year. This included \$19,133 of accrued construction interest. This project was completed during 2018 and \$2,738,692 was reclassified as water system improvements. The Town also purchased a sewer pump for \$2,318 and a 2003 Ford Truck for \$3,625.

The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 8 to the financial statements in this report.

**Capital Assets (Net of Depreciation)
2018 and 2017**

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 619,126	\$ 619,126	\$ 21,100	\$ 21,100	\$ 640,226	\$ 640,226
Construction in Progress	1,021,873	36,134	-	2,681,493	1,021,873	2,717,627
Buildings and Improvements	2,021,850	2,018,885	46,639	46,639	2,068,489	2,065,524
Machinery and Equipment	1,246,816	1,240,101	251,677	248,052	1,498,493	1,488,153
Infrastructure	48,623	48,623	-	-	48,623	48,623
Gas Utility System	-	-	806,868	806,868	806,868	806,868
Water Utility System	-	-	5,307,081	2,568,389	5,307,081	2,568,389
Sewer Utility System	-	-	4,644,314	4,641,996	4,644,314	4,641,996
Subtotal Capital Assets	4,958,288	3,962,869	11,077,679	11,014,537	16,035,967	14,977,406
Less: Accumulated Depreciation	(2,041,154)	(1,912,781)	(6,215,545)	(5,993,161)	(8,256,699)	(7,905,942)
Capital Assets, Net	\$ 2,917,134	\$ 2,050,088	\$ 4,862,134	\$ 5,021,376	\$ 7,779,268	\$ 7,071,464

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Long-Term Debt

At December 31, 2018, the Town had total long term debt outstanding from bonds payable and capital leases of \$4,035,177, not including unamortized bond premium of \$7,532. Of this total, \$240,242 is due within one year and \$3,794,935 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 13 to the financial statements in this report.

Outstanding Debt 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Leases	\$ 205,465	\$ 260,077	\$ 20,999	\$ 36,178	\$ 226,464	\$ 296,255
Revenue Bonds	1,182,532	1,207,935	2,633,713	2,746,996	3,816,245	3,954,931
Total Outstanding Debt	<u>\$ 1,387,997</u>	<u>\$ 1,468,012</u>	<u>\$ 2,654,712</u>	<u>\$ 2,783,174</u>	<u>\$ 4,042,709</u>	<u>\$ 4,251,186</u>

Other Factors Affecting the Town

The Town of Kentwood's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to finance long-term projects only when absolutely necessary. The Town actively pursues grant funds to minimize the cost of major projects to its citizens. The Town also attempts to keep utility rates at the minimum required to cover the costs of utility system operation. However, gas system rates are largely dependent on the amounts charged the Town for the cost of gas sold.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to the Town of Kentwood, 308 Avenue G, Kentwood, Louisiana 70444, telephone (985) 229-3451.

Basic Financial Statements
Government-Wide Financial Statements

Statement A

Town of Kentwood
Statement of Net Position
As of December 31, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 154,398	\$ 185,243	\$ 339,641
Receivables, Net:			
Accounts	-	295,009	295,009
Intergovernmental	497,331	192	497,523
Taxes	184,523	-	184,523
Other	1,315,330	(2,297)	1,313,033
Due From Other Funds	18,719	5,781	24,500
Inventory	22,722	4,129	26,851
Prepaid Insurance	51,502	995	52,497
Total Current Assets	2,244,525	489,052	2,733,577
Restricted Assets:			
Restricted Cash and Cash Equivalents	604,712	270,765	875,477
Total Restricted Assets	604,712	270,765	875,477
Capital Assets:			
Land	619,126	21,100	640,226
Construction in Progress	1,021,873	-	1,021,873
Capital Assets, Net	1,276,135	4,841,034	6,117,169
Total Capital Assets, Net	2,917,134	4,862,134	7,779,268
Total Assets	5,766,371	5,621,951	11,388,322
Deferred Outflows of Resources			
Pension Related	366,978	77,785	444,763
Total Deferred Outflows of Resources	366,978	77,785	444,763
Liabilities			
Current Liabilities:			
Accounts Payable	62,505	77,855	140,360
Other Accrued Payables	342,174	26,997	369,171
Due To Other Funds	5,781	18,719	24,500
Customer Deposits	-	147,222	147,222
Accrued Interest	14,621	-	14,621
Bonds Payable	50,000	118,117	168,117
Capital Leases	56,459	15,666	72,125
Total Current Liabilities	531,540	404,576	936,116
Long Term Liabilities:			
Bonds Payable	1,132,532	2,515,596	3,648,128
Capital Leases	149,006	5,333	154,339
Net Pension Liability	908,426	272,413	1,180,839
Accrued Sick Leave Convertible to Retirement	85,275	34,469	119,744
Total Long Term Liabilities	2,275,239	2,827,811	5,103,050
Total Liabilities	2,806,779	3,232,387	6,039,166
Deferred Inflows of Resources			
Pension Related	107,059	21,176	128,235
Total Deferred Inflows of Resources	107,059	21,176	128,235
Net Position			
Net Investment in Capital Assets	1,653,482	2,314,409	3,967,891
Restricted for:			
Capital Projects and Debt Service	302,345	-	302,345
Housing Activities	-	4,598	4,598
Unrestricted	1,263,684	127,166	1,390,850
Total Net Position	\$ 3,219,511	\$ 2,446,173	\$ 5,665,684

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

Town of Kentwood
Statement of Activities
For the year ended December 31, 2018

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
General Government	\$ 992,482	\$ 148,724	\$ 7,759	\$ 145,240
Public Safety - Police Protection	754,509	45,228	8,670	-
Public Safety - Fire Protection	622,676	-	57,080	-
Public Works - Streets and Sanitation	578,935	101,585	3,491	-
Health and Welfare	6,594	-	-	-
Recreation	27,783	-	-	200,000
Economic Development	12,213	15,948	-	-
Bond Interest Expense	36,063	-	-	-
Capital Lease Interest	8,195	-	-	-
Total Governmental Activities	<u>\$ 3,039,450</u>	<u>\$ 311,485</u>	<u>\$ 77,000</u>	<u>\$ 345,240</u>
Business-type Activities				
Gas	\$ 424,284	\$ 606,834	\$ 4,558	\$ -
Water	492,355	677,773	1,086	12,000
Sewer	171,442	563,672	806	-
Housing Assistance	386,281	372,072	-	-
Total Business-type Activities	<u>\$ 1,474,362</u>	<u>\$ 2,220,351</u>	<u>\$ 6,450</u>	<u>\$ 12,000</u>

General Revenues:

Taxes:

Property Taxes

Intergovernmental - Allocation from Tangipahoa Fire District Number 2

Sales Taxes

Franchise Taxes

Other

Interest Income

Donated Capital Assets

Miscellaneous

On Behalf Payments - State Supplemental Pay for Police

Operating Transfers In (Out) to Town Funds

Capital Transfers (Out) to Tangipahoa Parish Fire Protection District Number Two

Gain (Loss) on Sale of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustments (Note 23)

Net Position - Beginning (Restated)

Net Position - Ending

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

Statement B

Net (Expenses) Revenues and Changes of Primary Government			
Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
\$ (690,759)	\$ (690,759)	\$ -	\$ (690,759)
(700,611)	(700,611)	-	(700,611)
(565,596)	(565,596)	-	(565,596)
(473,859)	(473,859)	-	(473,859)
(6,594)	(6,594)	-	(6,594)
172,217	172,217	-	172,217
3,735	3,735	-	3,735
(36,063)	(36,063)	-	(36,063)
(8,195)	(8,195)	-	(8,195)
<u>\$ (2,305,725)</u>	<u>(2,305,725)</u>	<u>-</u>	<u>(2,305,725)</u>
\$ 187,108	-	187,108	187,108
198,504	-	198,504	198,504
393,036	-	393,036	393,036
(14,209)	-	(14,209)	(14,209)
<u>\$ 764,439</u>	<u>-</u>	<u>764,439</u>	<u>764,439</u>
	348,971	-	348,971
	582,479	-	582,479
	868,701	-	868,701
	46,684	-	46,684
	11,561	-	11,561
	48,698	7,242	55,940
	17,075	-	17,075
	12,508	550	13,058
	91,574	-	91,574
	631,029	(631,029)	-
	(26,362)	-	(26,362)
	673	-	673
	<u>2,633,591</u>	<u>(623,237)</u>	<u>2,010,354</u>
	<u>327,866</u>	<u>141,202</u>	<u>469,068</u>
	2,837,593	2,294,730	5,132,323
	54,052	10,241	64,293
	<u>2,891,645</u>	<u>2,304,971</u>	<u>5,196,616</u>
	<u>\$ 3,219,511</u>	<u>\$ 2,446,173</u>	<u>\$ 5,665,684</u>

Basic Financial Statements

Fund Financial Statements

Town of Kentwood
Balance Sheet, Governmental Funds
As of December 31, 2018

	General Fund	Volunteer Fire Department	LHFA Special Revenue Fund	Recreation Ad Valorem Special Revenue Fund	Recreation Debt Service Fund	Recreation Capital Projects Fund	Total Governmental Funds
Assets							
Cash and Equivalents	\$ 129,183	\$ 6,838	\$ 88,505	\$ 18,396	\$ -	\$ -	\$ 242,922
Receivables, Net:							-
Intergovernmental	226,607	1,494,612	-	-	-	90,876	1,812,095
Ad Valorem Taxes	130,106	-	-	39,002	-	-	169,108
Franchise Taxes	10,794	-	-	-	-	-	10,794
Gaming	4,621	-	-	-	-	-	4,621
Other	566	-	-	-	-	-	566
Due From Other Funds	134,704	711	-	273,557	-	109,124	518,096
Inventory	22,722	-	-	-	-	-	22,722
Prepaid Insurance	22,229	27,678	1,595	-	-	-	51,502
Restricted Cash	104,989	-	-	-	116,461	294,738	516,188
Total Assets	\$ 786,521	\$ 1,529,839	\$ 90,100	\$ 330,955	\$ 116,461	\$ 494,738	\$ 3,348,614
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 56,979	\$ 5,526	\$ -	\$ -	\$ -	\$ -	\$ 62,505
Other Accrued Liabilities	108,270	14,280	1,300	-	-	218,324	342,174
Due to Other Funds	246,766	54,245	6,329	109,124	88,694	-	505,158
Total Liabilities	412,015	74,051	7,629	109,124	88,694	218,324	909,837
Fund Balances:							
Nonspendable	22,229	27,678	1,595	-	-	-	51,502
Restricted	104,989	-	-	221,831	27,767	276,414	631,001
Assigned	-	1,428,110	80,876	-	-	-	1,508,986
Unassigned	247,288	-	-	-	-	-	247,288
Total Fund Balances	374,506	1,455,788	82,471	221,831	27,767	276,414	2,438,777
Total Liabilities and Fund Balances	\$ 786,521	\$ 1,529,839	\$ 90,100	\$ 330,955	\$ 116,461	\$ 494,738	\$ 3,348,614

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

Statement D

**Town of Kentwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2018**

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

Fund Balances, Total Governmental Funds (Statement C)	\$	2,438,777
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation		2,917,134
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General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is:

Net Pension Liability		(908,426)
Deferred Outflows of Resources		366,978
Deferred Inflows of Resources		(107,059)
Capital Lease Payable		(205,465)
Accrued Interest		(14,621)
Bonds Payable		(1,175,000)
Unamortized Bond Premium		(7,532)

Long-term liabilities for sick leave convertible to benefits upon retirement and the unfunded post employment health insurance liability is not due and payable in the current period and, therefore, not reported in the governmental funds.

Accrued Sick Leave Convertible to Retirement		(85,275)
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Net Position of Governmental Activities (Statement A)	\$	<u><u>3,219,511</u></u>
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The accompanying notes are an integral part of the financial statements.

Town of Kentwood
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2018

	General Fund	Volunteer Fire Department	LHFA Special Revenue Fund	Ad Valorem Special Revenue	Recreation Debt Service Fund	Recreation Capital Projects Fund	Total Governmental Funds
Revenues							
Taxes	\$ 1,163,453	\$ 527,153	\$ -	\$ 112,464	\$ -	\$ -	\$ 1,803,070
Licenses and Permits	138,494	-	-	-	-	-	138,494
Intergovernmental	155,082	93,460	-	-	-	200,000	448,542
Charges for Services	36,476	-	15,948	-	-	-	52,424
Fines and Forfeitures	15,368	-	-	-	-	-	15,368
Sanitation Fees	101,585	-	-	-	-	-	101,585
Interest	5,001	28,767	550	36	1,390	12,954	48,698
Donations	17,075	-	-	-	-	-	17,075
On Behalf Payments - Supplemental Pay	91,574	-	-	-	-	-	91,574
Miscellaneous	8,823	7,452	-	-	-	-	16,275
Total Revenues	<u>1,732,931</u>	<u>656,832</u>	<u>16,498</u>	<u>112,500</u>	<u>1,390</u>	<u>212,954</u>	<u>2,733,105</u>
Expenditures							
General Government	784,826	-	-	-	-	-	784,826
Public Safety:							-
Police	680,123	-	-	-	-	-	680,123
Fire	168,088	432,224	-	-	-	-	600,312
Public Works	718,955	-	-	-	-	-	718,955
Health and Welfare	6,594	-	-	-	-	-	6,594
Recreation	21	-	-	4,246	-	-	4,267
Economic Development	-	-	4,030	-	-	-	4,030
Capital Outlays	21,008	26,362	-	-	-	985,739	1,033,109
Debt Service							
Principal	54,612	-	-	-	25,000	-	79,612
Interest	8,842	-	-	-	36,192	-	45,034
Total Expenditures	<u>2,443,069</u>	<u>458,586</u>	<u>4,030</u>	<u>4,246</u>	<u>61,192</u>	<u>985,739</u>	<u>3,956,862</u>
Excess (Deficiency) of Revenues Over (Under) (Expenditures)	<u>(710,138)</u>	<u>198,246</u>	<u>12,468</u>	<u>108,254</u>	<u>(59,802)</u>	<u>(772,785)</u>	<u>(1,223,757)</u>
Other Financing Sources (Uses)							
Operating Transfers In	648,578	-	-	-	-	-	648,578
Operating Transfers (Out)	(17,549)	-	-	-	-	-	(17,549)
Sale of Fixed Assets	750	-	-	-	-	-	750
Total Other Financing Sources (Uses)	<u>631,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>631,779</u>
Net Change in Fund Balances	<u>(78,359)</u>	<u>198,246</u>	<u>12,468</u>	<u>108,254</u>	<u>(59,802)</u>	<u>(772,785)</u>	<u>(591,978)</u>
Fund Balances, Beginning	<u>452,865</u>	<u>1,257,542</u>	<u>70,003</u>	<u>113,577</u>	<u>87,569</u>	<u>1,049,199</u>	<u>3,030,755</u>
Fund Balances, Ending	<u>\$ 374,506</u>	<u>\$ 1,455,788</u>	<u>\$ 82,471</u>	<u>\$ 221,831</u>	<u>\$ 27,767</u>	<u>\$ 276,414</u>	<u>\$ 2,438,777</u>

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

Town of Kentwood
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2018

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

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ (591,978)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which repayments exceeded proceeds:

Amortization of Bond Premium	\$ <u>403</u>	403
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	1,033,109	
Less:		
Proceeds from sale of assets	(750)	
Gain on sale of assets	673	
Transfer of capital asset additions to Tangipahoa Fire District Number 2	(26,362)	
Current year depreciation	<u>(139,624)</u>	867,046

Compensated Absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities. (This entry records the change in compensated absences)		21,881
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Non-employer contributions to cost-sharing pension plan		28,871
Pension Expense		(78,342)

Accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds		373
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Repayment of capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position.

Principal payments - Series 2017 Recreation		25,000
Principal payments - capital leases		<u>54,612</u>
Change in Net Position of Governmental Activities, Statement B	\$	<u><u>327,866</u></u>

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

Town of Kentwood
Statement of Net Position - Proprietary Funds
As of December 31, 2018

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 185,243	\$ -	\$ 185,243
Receivables, Net	292,712	-	292,712
Due From State	192	-	192
Due From Other Funds	5,781	-	5,781
Inventory	4,129	-	4,129
Prepaid Insurance	995	-	995
Total Current Assets	<u>489,052</u>	<u>-</u>	<u>489,052</u>
Restricted Assets:			
Restricted Cash and Cash Equivalents	254,209	16,556	270,765
Total Restricted Assets	<u>254,209</u>	<u>16,556</u>	<u>270,765</u>
Property, Plant, and Equipment			
Land	21,100	-	21,100
Property, Plant and Equipment, Net	4,841,034	-	4,841,034
Total Property, Plant, and Equipment	<u>4,862,134</u>	<u>-</u>	<u>4,862,134</u>
Total Assets	<u>5,605,395</u>	<u>16,556</u>	<u>5,621,951</u>
Deferred Outflows of Resources			
Pension Related	77,785	-	77,785
Total Deferred Outflows of Resources	<u>77,785</u>	<u>-</u>	<u>77,785</u>
Liabilities			
Current Liabilities (Payable From Current Assets):			
Accounts Payable	77,855	-	77,855
Other Accrued Payables	26,997	-	26,997
Construction Payable	0	-	-
Due To Other Funds	12,457	-	12,457
Total Current Liabilities (Payable From Current Assets)	<u>117,309</u>	<u>-</u>	<u>117,309</u>
Current Liabilities (Payable From Restricted Assets):			
Customer Deposits	147,222	-	147,222
Revenue Bonds Payable	118,117	-	118,117
Capital Lease Payable	15,666	-	15,666
Due To Other Funds	-	6,262	6,262
Total Current Liabilities (Payable From Restricted Assets)	<u>281,005</u>	<u>6,262</u>	<u>287,267</u>
Long Term Liabilities:			
Bonds Payable	2,515,596	-	2,515,596
Capital Lease Payable	5,333	-	5,333
Net Pension Liability	272,413	-	272,413
Accrued Sick Leave Convertible to Retirement	34,469	-	34,469
Total Long Term Liabilities	<u>2,827,811</u>	<u>-</u>	<u>2,827,811</u>
Total Liabilities	<u>3,226,125</u>	<u>6,262</u>	<u>3,232,387</u>
Deferred Inflows of Resources			
Pension Related	21,176	-	21,176
Total Deferred Inflows of Resources	<u>21,176</u>	<u>-</u>	<u>21,176</u>
Net Position			
Net Investment in Capital Assets	2,314,409	-	2,314,409
Restricted for:			
Capital Projects and Debt Service	-	-	-
Housing Activities	-	4,598	4,598
Unrestricted	121,470	5,696	127,166
Total Net Position	<u>\$ 2,435,879</u>	<u>\$ 10,294</u>	<u>\$ 2,446,173</u>

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

Town of Kentwood
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended December 31, 2018

	<u>Gas Utility System</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues						
Gas Sales	\$ 593,253	\$ -	\$ -	\$ 593,253	\$ -	\$ 593,253
Less Cost of Gas Sold	<u>(199,277)</u>	<u>-</u>	<u>-</u>	<u>(199,277)</u>	<u>-</u>	<u>(199,277)</u>
Gross Profit on Gas Sales	393,976	-	-	393,976	-	393,976
Water Sales	-	650,125	-	650,125	-	650,125
Sewer Service Charges	-	-	552,261	552,261	-	552,261
Intergovernmental - Pension Paid by Others	4,558	1,086	806	6,450	-	6,450
HUD Contributions	-	-	-	-	372,072	372,072
Other	<u>13,581</u>	<u>27,648</u>	<u>11,411</u>	<u>52,640</u>	<u>550</u>	<u>53,190</u>
Total Operating Revenues	<u>412,115</u>	<u>678,859</u>	<u>564,478</u>	<u>1,655,452</u>	<u>372,622</u>	<u>2,028,074</u>
Operating Expenses						
Bad Debts	-	-	-	-	-	-
Cathodic Protection	2,039	-	-	2,039	-	2,039
Depreciation	10,016	127,592	84,776	222,384	-	222,384
Employee Benefits	87,684	20,491	11,503	119,678	17,141	136,819
Housing and Utility Assistance	-	-	-	-	326,910	326,910
Insurance - Workers Compensation	3,933	2,647	1,118	7,698	221	7,919
Other	20,118	17,551	3,677	41,346	4,808	46,154
Professional Fees	-	2,869	-	2,869	-	2,869
Repairs and Maintenance	4,342	22,340	32,817	59,499	-	59,499
Salaries and Wages	83,064	37,033	11,362	131,459	37,201	168,660
Supplies	13,811	29,345	5,176	48,332	-	48,332
Utilities	-	76,045	21,013	97,058	-	97,058
Water Treatment	<u>-</u>	<u>61,816</u>	<u>-</u>	<u>61,816</u>	<u>-</u>	<u>61,816</u>
Total Operating Expenses	<u>225,007</u>	<u>397,729</u>	<u>171,442</u>	<u>794,178</u>	<u>386,281</u>	<u>1,180,459</u>
Operating Income (Loss)	<u>187,108</u>	<u>281,130</u>	<u>393,036</u>	<u>861,274</u>	<u>(13,659)</u>	<u>847,615</u>
Nonoperating Revenues (Expenses)						
Interest Income	2,041	4,217	803	7,061	181	7,242
Interest Expense	<u>-</u>	<u>(94,626)</u>	<u>-</u>	<u>(94,626)</u>	<u>-</u>	<u>(94,626)</u>
Total Nonoperating Revenues (Expenses)	<u>2,041</u>	<u>(90,409)</u>	<u>803</u>	<u>(87,565)</u>	<u>181</u>	<u>(87,384)</u>
Income (Loss) Before Contributions and Transfers	189,149	190,721	393,839	773,709	(13,478)	760,231
Contributions and Transfers						
Capital Contributions	-	12,000	-	12,000	-	12,000
Operating Transfers In	-	-	-	-	17,549	17,549
Operating Transfers Out	<u>(648,578)</u>	<u>-</u>	<u>-</u>	<u>(648,578)</u>	<u>-</u>	<u>(648,578)</u>
Change in Net Position	(459,429)	202,721	393,839	137,131	4,071	141,202
Total Net Position, Beginning				2,288,507	6,223	2,294,730
Prior Period Adjustment (Note 23)				10,241	-	10,241
Total Adjusted Net Position, Beginning, After Prior Period Adjustments				<u>2,298,748</u>	<u>6,223</u>	<u>2,304,971</u>
Total Net Position, Ending				<u>\$ 2,435,879</u>	<u>\$ 10,294</u>	<u>\$ 2,446,173</u>

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

Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2018

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities			
Received From Customers	\$ 1,726,771	\$ -	\$ 1,726,771
Received From the Department of Housing and Urban Development	-	372,072	372,072
Received for Meter Deposit Fees	7,711	-	7,711
Other Receipts	62,015	550	62,565
Received for (Payments for) Interfund Services	(52,991)	150	(52,841)
Payments for Operations	(539,999)	(331,939)	(871,938)
Payments to Employees	(235,361)	(54,342)	(289,703)
Net Cash Provided (Used) by Operating Activities	<u>968,146</u>	<u>(13,509)</u>	<u>954,637</u>
Cash Flows From Noncapital Financing Activities			
Transfers From (To) Other Funds	<u>(648,578)</u>	<u>17,549</u>	<u>(631,029)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(648,578)</u>	<u>17,549</u>	<u>(631,029)</u>
Cash Flows From Capital and Related Financing Activities			
Capital Contributions Received	12,000	-	12,000
(Payments for) Capital Acquisitions	(206,423)	-	(206,423)
Principal Proceeds from (Repayments for) Long Term Debt	(128,462)	-	(128,462)
Interest Payments for Long Term Debt	<u>(94,626)</u>	<u>-</u>	<u>(94,626)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(417,511)</u>	<u>-</u>	<u>(417,511)</u>
Cash Flows From Investing Activities			
Receipt of Interest	<u>7,061</u>	<u>181</u>	<u>7,242</u>
Net Cash Provided (Used) by Investing Activities	<u>7,061</u>	<u>181</u>	<u>7,242</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(90,882)	4,221	(86,661)
Cash and Cash Equivalents, Beginning of Year	530,334	12,335	542,669
Cash and Cash Equivalents, End of Year	<u>\$ 439,452</u>	<u>\$ 16,556</u>	<u>\$ 456,008</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Cash Equivalents, Unrestricted	\$ 185,243	\$ -	\$ 185,243
Cash and Cash Equivalents, Restricted	<u>254,209</u>	<u>16,556</u>	<u>270,765</u>
Total Cash and Cash Equivalents	<u>\$ 439,452</u>	<u>\$ 16,556</u>	<u>\$ 456,008</u>

(Continued)

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

**Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2018**

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 861,274	\$ (13,659)	\$ 847,615
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	222,384	-	222,384
(Increase) decrease in Accounts Receivable	(68,868)	-	(68,868)
(Increase) decrease in Unbilled Receivable	2,925	-	2,925
(Increase) decrease in Deferred Outflows of Resources	27,521	-	27,521
(Increase) decrease in Due (to) and from Other Funds	(52,991)	150	(52,841)
Increase (decrease) in Accounts Payable	31,451	-	31,451
Increase (Decrease) in Compensated Absences	(812)	-	(812)
Increase (decrease) in Accrued Expenses	(77,095)	-	(77,095)
Increase (decrease) in Deferred Inflows of Resources	14,646	-	14,646
Increase (decrease) in Customer Deposits	7,711	-	7,711
Net Cash Provided (Used) by Operating Activities	<u>\$ 968,146</u>	<u>\$ (13,509)</u>	<u>\$ 954,637</u>

(Concluded)

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

Basic Financial Statements

Notes to the Financial Statements

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Introduction

The Town of Kentwood, Louisiana was incorporated in March of 1893 under the provisions of the Lawrason Act. The Town operates under a Mayor/Board of Aldermen form of government, with the Mayor and each of five aldermen elected at large for four-year terms. The Mayor and Aldermen are compensated per diem for each meeting attended; in addition, the Mayor receives a salary. Kentwood is located directly off Interstate I-55 in the northern section of Tangipahoa Parish. The Town's total population is 2,198 as reported by the U.S. Census Bureau, Census 2010. The Town provides police and fire protection, services to maintain and develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. The Town provides water, gas, and sewer utility services to 1,004 water customers, 426 gas customers, and 850 sewer customers inside and outside of the Town limits. The Town employs 30 full-time employees in addition to the Mayor and Board of Aldermen.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. There are no component units which the Town of Kentwood has an oversight relationship.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended by GASB Statements described in the following paragraphs. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net position (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* that require capital contributions to the District to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position and Fund Equity*. As required by the Governmental Accounting Standards Board (GASB), the Town implemented GASB Statement No. 63 during the year ending December 31, 2012. The Town had deferred outflows of resources related to pension of \$444,763 and deferred inflows related to pension of \$128,235 at December 31, 2018.

The Town has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the Town is more fully described in *Footnote I – Long-Term Obligations*.

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 clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, other than debt service or capital projects. For the year ending December 31, 2018, the Town reported the following special revenue funds, all reported as Major Funds: (1) Kentwood Fire Department – accounts for intergovernmental revenue sources restricted by Rural Fire Protection District #2. (2) LHFA Fund – accounts for federal program grant and federal program income restricted by the grantor to program approved expenditures. (3) Recreation Ad Valorem Fund – accounts for ad valorem millage dedicated for use for recreation operations and improvements.

The *Debt Service Funds* account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the year ending December 31, 2018, the Town had one debt service fund for the recreation park project Series 2017 Revenue Bond. This fund is used to accumulate funds for the annual installment due on the Series 2017 Revenue Bond. The bond was issued for the purpose of constructing a recreation park. Transfers will be made from the Recreation Ad Valorem Fund for this purpose and accumulated in this account.

The *Capital Projects Funds* account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets. For the year ending December 31, 2018, the Town had one capital project fund for the recreation park project.

The Town reports the following major proprietary funds:

The *Enterprise Funds* account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For the year ending December 31, 2018, the Town's Enterprise Funds were the Utility Fund and the Housing Assistance Fund, both Major Funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

When restricted, committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds as needed, unless it has been provided for otherwise in the restriction, commitment, or assignment actions.

C. Deposits and Investments

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town’s investment policy allow the Town to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments for the Town are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized	Levied	Expiration Date
General Corporate Purposes	6.34 mills	6.34 mills	None
Fire Protection	3.00 mills	3.00 mills	December 31, 2036
Police Protection	3.00 mills	3.00 mills	December 31, 2036
Recreation	8.90 mills	8.90 mills	December 31, 2036

On December 10, 2016, voters approved a new millage of 14.90 mills to be allocated as follows:

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

- 1) 3 mills for fire protection
- 2) 3 mills for police protection
- 3) 8.9 mills for recreation

This new millage is for a period of twenty years, commencing with the tax year 2017 and ending after the tax collection for the year 2036.

Sales and use taxes are levied at two percent. The proceeds of these sales and use taxes are dedicated as follows:

One percent sales and use tax dedicated to general corporate purposes. This tax does not expire.

One percent sales and use tax to be dedicated and used for not to exceed fifty percent of the proceeds for the constructing, acquiring, improving, maintaining, and operating solid waste collection and disposal facilities; the remainder of the proceeds for the purpose of paying police officers and other Town employees' salaries and other general operating costs of the Town; constructing and acquiring additions, extensions, and improvements to the sewerage collection, disposal, and treatment plant and system, the waterworks plant and system, and the natural gas system; constructing, paving, resurfacing, and improving streets, sidewalks, roads, bridges, alleys, drains, and drainage canals, and acquiring necessary equipment for the maintenance thereof; acquiring fire protection and public safety equipment and facilities; and constructing or improving public buildings, jails, public parks and recreation facilities, including the necessary equipment and furnishings therefore. This tax expires on June 30, 2023.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the current fiscal year, the Town incurred \$19,133 in construction period interest costs.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 40 Years
Vehicles and Equipment	5 - 15 Years
Infrastructure	10 - 40 Years
Gas System	10 - 40 Years
Water System	10 - 40 Years
Sewer System	7 - 40 Years

H. Compensated Absences

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

All regular employees, after one year of employment, are entitled to annual vacation and sick leave as follows:

	<u>Minimum Years of Service</u>		
	<u>0 to 1</u>	<u>2 to 7</u>	<u>7 +</u>
Vacation Leave - Days Earned per Year	5	10	15
Sick Leave - Days Earned per Year	12	12	12
	<u>17</u>	<u>22</u>	<u>27</u>

Office (administrative) personnel are allowed to accumulate 210 hours of vacation leave; all other employees working eight hours per day are allowed to accumulate 240 hours of vacation leave. There is no limit on the accumulation of sick leave. A long-term payable for sick leave convertible to retirement is accrued on the government wide level.

When workmen's compensation is due an employee, that employee has the option of using accrued annual vacation and sick leave while drawing workmen's compensation, but must remit to the Town all workmen's compensation benefits received. A law officer disabled while performing duty of a hazardous nature may be granted a leave of absence by the Town with full pay during the period of disability provided all workmen's compensation benefits are remitted to the Town.

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to compliment

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The Town had no bond issuance costs in the year ending December 31, 2018.

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

J. Net Position and Fund Equity

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- **Restricted Component of Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

In the fund statements, governmental fund equity is classified as fund balance. The Town adopted GASB 54 for the year ended December 31, 2011. As such, fund balances of governmental funds are classified as follows:

- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal decision of the Board of Aldermen, which is the highest level of decision-making authority for the Town.
- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned.** These are amounts that have not been assigned to other funds and amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. Also, within other governmental funds, includes expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed, or assigned to those purposes.

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. All prior period adjustments, if any, recorded in the current period have been reflected in prior period data presented wherever possible.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

M. Estimates

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

N. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Total revenues and other sources and total expenditures and other uses for the Town of Kentwood were within five percent of budgeted revenues and other sources and expenditures and other uses for the fiscal year ending December 31, 2018 for the General Fund and Special Revenue Funds, except for the LHFA Fund. In the LHFA Fund, expenditures and other uses were more than five percent of the budgeted expenditures and other uses. Actual expenditures were \$1,130 more than budgeted expenditures.

3. Cash and Cash Equivalents

At December 31, 2018, the Town has cash and cash equivalents (book balances) as follows:

	December 31, 2018
Cash on Hand	\$ 798
Demand Deposits	920,685
Louisiana Asset Management Pool	293,635
Total Cash and Cash Equivalents	\$ 1,215,118

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

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2018, the municipality has \$1,073,612 in deposits (collected bank balances), consisting of \$689,914 in demand deposits within two banks and \$383,697 in trust accounts at one bank. The demand deposits in the first bank consist of \$530,035 in demand deposits for the Town of Kentwood and \$7,107 in demand deposits for the Kentwood Volunteer Fire Department. The demand deposits of \$530,035 are secured from risk by federal deposit insurance of \$250,000 and pledged securities of \$280,035. The \$280,035 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$7,107 in demand deposits is secured from risk by federal deposit insurance of \$250,000. The demand deposits in the second bank consist of \$152,772 in demand deposits. These are secured from risk by \$250,000 of federal deposit insurance. The \$383,697 in trust accounts are secured from risk by the Trust Department of the respective bank and consisted of U.S. Treasury Obligations.

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal policy for custodial risk. However, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The Town records its LAMP deposits within cash and cash equivalents.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool (LAMP) at December 31, 2018, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of

Town of Kentwood, Louisiana
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directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest.

LAMP is subject to the regulator oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

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

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 30 days as of December 31, 2018.
5. Foreign currency risk: Not applicable to 2a7-like pools.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP, Inc., issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by calling (800) 249-5267.

There were no investments held by the Town at December 31, 2018. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices. *Interest Rate Risk*: The Town does not have a formal investment policy that limits

Town of Kentwood, Louisiana
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investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

5. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes and franchise taxes. Business-type activities report utilities earnings as their major receivable.

There are no differences between the external governmental fund financial statements receivables and the government wide financial statements at December 31, 2018. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at December 31, 2018 consist of the following:

Government Receivables	General Fund	Volunteer Fire Department	Recreation Ad Valorem Special Revenue Fund	Recreation Capital Projects Fund	Total Governmental Funds
Taxes:					
Ad Valorem	\$ 130,106	\$ -	\$ 39,002	\$ -	\$ 169,108
Public Utility Franchise	10,794	-	-	-	10,794
Gaming	4,621	-	-	-	4,621
Intergovernmental:					
Tangipahoa Parish School Board, Sales Tax	68,799	-	-	-	68,799
Tangipahoa Parish School Board, School Officer	2,454	-	-	-	2,454
State of Louisiana, Beer Tax	1,967	-	-	-	1,967
State of Louisiana, I-55 Rest Area	11,147	-	-	-	11,147
State of Louisiana, LGAP Grant	142,240	-	-	-	142,240
Tangipahoa Parish Council	-	182,217	-	-	182,217
Tangipahoa Parish Council-Cash	-	1,312,395	-	-	1,312,395
Land & Water Conservation Grant	-	-	-	90,876	90,876
Other Receivables	566	-	-	-	566
Total Government Receivables	\$ 372,694	\$ 1,494,612	\$ 39,002	\$ 90,876	\$ 1,997,184

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

The Enterprise Fund accounts receivable at December 31, 2018 consists of the following:

		Year Ended December 31, 2018
Accounts Receivable		
Current	\$	198,251
31 - 60 Days		34,819
61 - 90 Days		15,102
Over 90 Days		7,283
Subtotal		255,455
Less Allowance for Bad Debt		11,232
Accounts Receivables, Net		244,223
Accrued Billings		46,502
Kentwood Springs Receivable		25
NSF Checks Receivable		4,259
Credit Card Receivable		(2,297)
Total Accounts Receivable	\$	292,712

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements on December 31, 2018:

Interfund Balances	<u>Due From</u>	<u>Due To</u>
	<u>Other Funds</u>	<u>Other Funds</u>
General Fund		
Volunteer Fire Department	\$ 54,245	\$ 711
Louisiana Housing Finance Authority (LHFA)	548	-
Recreation Ad Valorem	-	246,055
Recreation Debt Service Fund	61,192	-
Utility Fund	12,457	-
Housing Assistance Fund	6,262	-
Special Revenue Fund		
Volunteer Fire Department		
General Fund	711	54,245
Louisiana Housing Finance Authority (LHFA)		
General Fund	-	548
Utility Fund	-	5,781
Recreation Ad Valorem		
General Fund	246,055	-
Debt Service Fund		
General Fund	-	61,192
Proprietary Funds		
Utility Fund		
General Fund	-	12,457
Louisiana Housing Finance Authority (LHFA)	5,781	
Housing Assistance Fund		
General Fund	-	6,262
Total Interfund Balances	\$ <u>387,251</u>	\$ <u>387,251</u>

The reason for the interfund receivables/payables balances is the General Fund pays payroll expenses and accounts payable for other funds. The balances relating to the Recreation Ad Valorem and Recreation Debt Service Funds are due to items being paid out of the General Fund. The interfund balances are repaid generally on a monthly basis.

Town of Kentwood, Louisiana
Notes to the Financial Statements
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7. Restricted Assets

Total restricted assets for the Town of Kentwood at December 31, 2018 were as follows:

	December 31, 2018
Restricted Cash and Cash Equivalents	
Customer Deposits	\$ 147,222
Water Construction Account	106,987
Housing Assistance Account	16,556
LHFA Grant Account	88,524
Industrial Development	104,989
Park Project Construction	294,738
Bond Sinking Account	28,868
Bond Reserve Account	87,593
Total Restricted Assets	<u>\$ 875,477</u>

8. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2018 for governmental activities is as follows:

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities Capital Assets:				
Capital Assets Not Being Depreciated:				
Land	\$ 619,126	\$ -	\$ -	\$ 619,126
Construction in Progress	36,134	985,739	-	1,021,873
Total Capital Assets Not Being Depreciated	655,260	985,739	-	1,640,999
Capital Assets Being Depreciated:				
Buildings and Improvements	2,018,885	2,965	-	2,021,850
Vehicles and Equipment	1,240,101	18,043	(11,328)	1,246,816
Infrastructure	48,623	-	-	48,623
Total Capital Assets Being Depreciated	3,307,609	21,008	(11,328)	3,317,289
Less Accumulated Depreciation for:				
Buildings and Improvements	1,001,097	52,988	-	1,054,085
Vehicles and Equipment	885,559	84,407	(11,251)	958,715
Infrastructure	26,125	2,229	-	28,354
Total Accumulated Depreciation	1,912,781	139,624	(11,251)	2,041,154
Total Capital Assets Being Depreciated, Net	1,394,828	(118,616)	(77)	1,276,135
Total Governmental Activities Capital Assets, Net	\$ 2,050,088	\$ 867,123	\$ (77)	\$ 2,917,134
Depreciation was charged to governmental functions as follows:				
General Government			\$	28,327
Public Safety - Police Protection				41,335
Public Safety - Fire Protection				13,699
Public Works - Streets and Sanitation				24,564
Recreation				23,516
Economic Development				8,183
			\$	139,624

During 2018, capital expenditures in the Volunteer Fire Department Fund of \$26,362 were incurred and the assets subsequently transferred to the Tangipahoa Parish Fire Protection District Number 2. These assets are not capitalized in the governmental activity assets listed above.

The Tangipahoa Parish Fire Protection District Number 2 provides funding from an ad valorem tax outside the municipalities in the parish to various fire protection entities throughout Tangipahoa Parish. As part of that funding the Kentwood Volunteer Fire Department purchases capital assets on the fund basis and transfers the ownership of those assets to Tangipahoa Parish Fire Protection District Number 2, while maintaining the ability to utilize the assets.

A bush hog for the street department was purchased for \$1,928. The police department had vehicles and equipment with a fair market value of \$15,000 donated. A computer for the administrative department was purchased at a cost of \$1,115. A flag pole and flag was purchased for \$2,965 with funds from an Entergy Grant.

Costs of \$985,739 were incurred during the fiscal year for Phase 1A of the park project. See *Footnote 22. Other Commitments* on page 73 for additional detail on the park project.

The Town sold two Ford Crown Victorias for \$750 during the fiscal year. The original cost of the equipment was \$11,328 and had \$11,251 of accumulated depreciation.

Town of Kentwood, Louisiana
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Included in vehicles and equipment are four Dodge Chargers, a dump truck, and a Freightliner fire truck acquired in a prior fiscal period financed under capital leases in the gross amount of \$389,454 with related accumulated depreciation of \$193,753.

Capital assets and depreciation activity as of and for the year ended December 31, 2018 for business-type activities is as follows:

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 21,100	\$ -	\$ -	\$ 21,100
Construction in Progress	2,681,493	57,199	(2,738,692)	-
Total Capital Assets Not Being Depreciated	<u>2,702,593</u>	<u>57,199</u>	<u>(2,738,692)</u>	<u>21,100</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	248,052	3,625	-	251,677
Gas Utility System	806,868	-	-	806,868
Water Utility System	2,568,389	2,738,692	-	5,307,081
Sewer Utility System	4,641,996	2,318	-	4,644,314
Total Capital Assets Being Depreciated	<u>8,311,944</u>	<u>2,744,635</u>	<u>-</u>	<u>11,056,579</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	183,568	10,828	-	194,396
Gas Utility System	708,754	6,406	-	715,160
Water Utility System	1,634,921	123,983	-	1,758,904
Sewer Utility System	3,419,279	81,167	-	3,500,446
Total Accumulated Depreciation	<u>5,993,161</u>	<u>222,384</u>	<u>-</u>	<u>6,215,545</u>
Total Capital Assets Being Depreciated, Net	<u>2,318,783</u>	<u>2,522,251</u>	<u>-</u>	<u>4,841,034</u>
Total Business - Type Activities Capital Assets, Net	<u>\$ 5,021,376</u>	<u>\$ 2,579,450</u>	<u>\$ (2,738,692)</u>	<u>\$ 4,862,134</u>

In the business-type activities, the Town signed an agreement in 2013 with Owen and White for a new water well and water tank rehabilitation. Costs of \$57,199 were incurred during the fiscal year. This included \$19,133 of accrued construction interest. This project was completed during 2018 and \$2,738,692 was reclassified as water system improvements. See *Footnote 22. Other Commitments* on page 70 for additional detail on the water project.

The Town also purchased a sewer pump for \$2,318 and a 2003 Ford Truck for \$3,625.

Included in vehicles and equipment is a Caterpillar backhoe acquired in a prior fiscal period financed under capital leases in the gross amount of \$74,424 with related accumulated depreciation of \$24,303.

Town of Kentwood, Louisiana
Notes to the Financial Statements
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9. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on December 31, 2018:

Interfund Transfers	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Utility Fund	\$ 648,578	\$ -
Housing Assistance Fund	-	17,549
Proprietary Funds		
Utility Fund		
General Fund	-	648,578
Housing Assistance Fund		
General Fund	17,549	-
Total Interfund Transfers	<u>\$ 666,127</u>	<u>\$ 666,127</u>

The reason for the interfund transfers was to provide for budgeted expenditures of the Housing Fund and General Fund.

10. Accounts, Salaries, and Other Payables

The Governmental Fund payables at December 31, 2018 are as follows:

Governmental Funds Payable	<u>General Fund</u>	<u>Volunteer Fire Department</u>	<u>LHFA Special Revenue Fund</u>	<u>Recreation Capital Project Fund</u>	<u>Total Governmental Funds</u>
Accounts	\$ 56,979	\$ 5,526	\$ -	\$ -	\$ 62,505
Accrued Salaries	40,062	9,165	-	-	49,227
Payroll Taxes	1,873	-	-	-	1,873
Compensated Absences	30,541	5,115	-	-	35,656
Construction Payable	3,049	-	-	174,876	177,925
Retainage Payable	15,432	-	-	43,448	58,880
Other	2,464	-	1,300	-	3,764
Due to Other Governments	1,026	-	-	-	1,026
Retirement	13,823	-	-	-	13,823
Total Government Funds Payable	<u>\$ 165,249</u>	<u>\$ 19,806</u>	<u>\$ 1,300</u>	<u>\$ 218,324</u>	<u>\$ 404,679</u>

Town of Kentwood, Louisiana
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The Enterprise Fund payables at December 31, 2018 are as follows:

Enterprise Funds Payable	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Accounts	\$ 77,855	\$ -	\$ 77,855
Due to Other Governments			
State-Unclaimed Property	4,871	-	4,871
Retainage Payable	-	-	-
Salaries Payable	8,511	-	8,511
Vacation Payable	13,615	-	13,615
Total Enterprise Funds Payable	<u>\$ 104,852</u>	<u>\$ -</u>	<u>\$ 104,852</u>

11. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2018, other than the current portion of revenue bonds payable and the current portion of the capital leases.

12. Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. At December 31, 2018, the Town had the following capital leases.

	<u>Capital Lease Payable End of Year</u>	<u>Due Within One Year</u>
The Town entered into a lease purchase agreement to purchase four 2014 Dodge Chargers, a dump truck, and a Caterpillar backhoe for a total lease amount \$275,643. The lease is payable in sixty monthly payments of \$4,970.38 due on the first day of each month. The Dodge Chargers and the dump truck are being depreciated over their estimated useful lives of five years. This portion of the lease is recorded within the governmental funds as a capital lease in the General Fund. The backhoe is being depreciated over its estimated useful life of ten years. This portion of the lease is recorded within the Enterprise funds as a capital lease in the Utility Fund.	\$ 77,772	\$ 58,021
The Town entered into a lease purchase agreement to purchase a 2015 Freightliner fire truck for a lease amount of \$188,235.12. The lease is payable in twelve annual payments of \$19,913.14 due on the first day of August. The fire truck is being depreciated over its estimated useful life of fifteen years. This lease is recorded within the governmental funds as a capital lease in the General Fund.	148,692	14,104
	<u>\$ 226,464</u>	<u>\$ 72,125</u>

Town of Kentwood, Louisiana
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As of and for the Year Ended December 31, 2018

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2018:

	Governmental Activities		Business-Type Activities		Total Long-Term Obligations
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds	
Beginning Balance	\$ 260,077	\$ 1,200,000	\$ 36,178	\$ 2,746,996	\$ 4,243,251
Additions	-	-	-	-	-
Deletions	(54,612)	(25,000)	(15,179)	(113,283)	(208,074)
Ending Balance	<u>205,465</u>	<u>1,175,000</u>	<u>20,999</u>	<u>2,633,713</u>	<u>4,035,177</u>
Plus Unamortized Premium	-	7,532	-	-	7,532
Total Ending Balance	<u>\$ 205,465</u>	<u>\$ 1,182,532</u>	<u>\$ 20,999</u>	<u>\$ 2,633,713</u>	<u>\$ 4,042,709</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of the long-term obligations:

	Governmental Activities		Business-Type Activities		Total Long-Term Obligations
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds	
Current Portion	\$ 56,459	\$ 50,000	\$ 15,666	\$ 118,117	\$ 240,242
Long-Term Portion	<u>149,006</u>	<u>1,125,000</u>	<u>5,333</u>	<u>2,515,596</u>	<u>3,794,935</u>
	<u>205,465</u>	<u>1,175,000</u>	<u>20,999</u>	<u>2,633,713</u>	<u>4,035,177</u>
Plus Unamortized Premium	-	7,532	-	-	7,532
	<u>\$ 205,465</u>	<u>\$ 1,182,532</u>	<u>\$ 20,999</u>	<u>\$ 2,633,713</u>	<u>\$ 4,042,709</u>

Bonds Payable as of December 31, 2018 are as follows:

	Bonds Payable End of Year	Due Within One Year
Business Type Fund: \$ 3,051,608 Utilities Revenue Certificates of Indebtedness, Series 2014 Dated 10/29/2014 due in monthly installments of principal and interest of \$ 18,843 through 12/15/1934 interest at 4.186% This issue is secured by the income and revenues derived from the operation of the Town's Utility System.	\$ 2,633,713	\$ 118,117
Governmental Fund: \$ 1,200,000 Revenue Bonds, Series 2017 Dated 9/7/2017 due in annual installments of principal ranging from \$25,000 in 2018 to \$80,000 in 2037 and 39 semiannual installments of interest averaging \$11,915 at rates of interest ranging from 1.65% to 4.00%. This issue is secured by the income and revenues derived from the recreation ad valorem milleage.	<u>1,175,000</u>	<u>50,000</u>
	<u>\$ 3,808,713</u>	<u>\$ 168,117</u>

Town of Kentwood, Louisiana
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The annual requirements to amortize all debt outstanding at December 31, 2018, including interest payments of \$1,444,924 are as follows:

Year Ending 12/31/18	Utilities Revenue Certificates of Indebtedness,								
	Series 2014 - \$3,051,608			Revenue Bonds, Series 2017 - \$1,200,000					
	Principal	Interest	Total	Principal	Interest	Total			
2019	\$ 118,117	\$ 107,998	\$ 226,115	\$ 50,000	\$ 36,190	\$ 86,190			
2020	123,157	102,958	226,115	50,000	35,365	85,365			
2021	128,413	97,702	226,115	50,000	34,428	84,428			
2022	133,892	92,223	226,115	50,000	33,378	83,378			
2023	139,606	86,509	226,115	50,000	32,328	82,328			
2024 to 2028	792,639	337,936	1,130,575	285,000	139,989	424,989			
2029 to 2033	976,821	153,754	1,130,575	330,000	91,630	421,630			
2034 to 2037	221,069	5,045	226,114	310,000	25,200	335,200			
	<u>\$ 2,633,714</u>	<u>\$ 984,125</u>	<u>\$ 3,617,839</u>	<u>\$ 1,175,000</u>	<u>\$ 428,508</u>	<u>\$ 1,603,508</u>			

Year Ending 12/31/18	Capital Lease - Police Cars, Dump Truck, Backhoe - \$275,643			Capital Lease - Fire Truck - \$188,235			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 58,021	\$ 1,634	\$ 59,655	\$ 14,104	\$ 5,809	\$ 19,913	\$ 240,242	\$ 151,631
2020	19,751	130	19,881	14,655	5,258	19,913	207,563	143,711	351,274
2021	-	-	-	15,228	4,686	19,914	193,641	136,816	330,457
2022	-	-	-	15,823	4,091	19,914	199,715	129,692	329,407
2023	-	-	-	16,441	3,472	19,913	206,047	122,309	328,356
2024 to 2028	-	-	-	72,442	7,211	79,653	1,150,081	485,136	1,635,217
2029 to 2033	-	-	-	-	-	-	1,306,821	245,384	1,552,205
2034 to 2037	-	-	-	-	-	-	531,069	30,245	561,314
	<u>\$ 77,772</u>	<u>\$ 1,764</u>	<u>\$ 79,536</u>	<u>\$ 148,693</u>	<u>\$ 30,527</u>	<u>\$ 179,220</u>	<u>\$ 4,035,179</u>	<u>\$ 1,444,924</u>	<u>\$ 5,480,103</u>

14. Flow of Funds, Restrictions on Use – Enterprise Fund and Government Fund Bonds

The governing authority of the Town adopted a resolution on June 18, 1991, authorizing issuance of \$910,000 of Sewer Revenue Bonds. On June 1, 1992, the Town sold the \$910,000 authorized bonds to USDA Rural Development (RUS). The bonds were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted and are subject to the provisions of the above resolution adopted June 18, 1991. As of December 31, 1993, USDA Rural Development had advanced all of the bond proceeds to the Town. Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the system. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of

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indebtedness. The Town paid this bond in full on October 29, 2014 by funds received from the issuance of Utilities Revenue Certificates of Indebtedness, Series 2014.

The governing authority of the Town adopted an ordinance on October 23, 2014, authorizing issuance of \$3,051,608 of Utilities Revenue Certificates of Indebtedness, Series 2014. On October 29, 2014, the Town sold the \$3,051,608 authorized bonds to Government Capital Corporation. The bonds were issued for twenty (20) years payable with interest at the rate of 4.186% per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted and are subject to the provisions of the above ordinance adopted October 23, 2014. Proceeds were issued to fund water construction projects, bond issuance costs, and to refund the Sewer Revenue Bonds. As of December 31, 2014, Government Capital Corporation had advanced all of the bond proceeds to the Town. Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the system. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness.

Payments on the Series 2014 bond began January 2015. The gross utility revenues recognized during the current year were \$1,667,452.

The issuance of the Series 2014 bonds resulted in defeasance of the USDA Rural Development bonds issued June 18, 1991. The refunding transaction is classified as a "Current Refunding" since \$620,682 of bond proceeds were used to immediately pay off the \$620,682 balance of the 1991 USDA Rural Development bonds. A total of \$56,175 was also recorded as bond issuance costs of the Series 2014 bonds.

The Issuer of the Utilities Revenue Certificates of Indebtedness, Series 2014 covenants to fix, establish, maintain, and collect such rates, fees, rents, or other charges for the services and facilities of the Utilities System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operation and maintaining the Utilities System, in each year, the principal and interest falling due on the Certificate in each year, all reserves or sinking funds or other payments required for such year by this Ordinance, and all obligations or indebtedness payable out of the Net Utilities Revenues during such year, and which will provide Net Utilities Revenues in each year, at least equal to 125% of the largest amount of principal and interest falling due on the Certificates and any Additional Parity Bonds in any future year. For the fiscal year ending December 31, 2018, the Town maintained a ratio of "Net Revenues" to debt principal and interest obligations that exceeded the required ratio of 125%.

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

The governing authority of the Town adopted an ordinance on May 4, 2017, authorizing issuance of \$1,200,000 of Series 2017 Revenue Bonds. On September 7, 2017, the Town sold the \$1,200,000 authorized bonds to Whitney Bank. The bonds were issued for twenty (20) years payable with interest at the rate ranging from 1.65% to 4.00% per annum. The proceeds of the bonds are restricted and are subject to the provisions of the above ordinance adopted May 4, 2017. Proceeds were issued to finance the costs of the acquisition, construction, and equipping of recreational facilities of the Town, to fund a debt service reserve fund, and to finance the costs of issuance of the Bonds. Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the recreational ad valorem taxes of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the

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recreation department. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness. A total of \$32,185 was also recorded as bond issuance costs of the Series 2017 bonds.

The Series 2017 Revenue Bonds requires the Town to transfer monthly amounts to pay a portion of the next maturing principal and next due interest into the Sinking Fund. At December 31, 2018 the Sinking Fund was fully-funded at \$28,868.

Series 2017 Revenue Bonds also established a Reserve Fund. This fund was initially funded with proceeds of the bonds. At December 31, 2018 the Reserve Fund was fully-funded at \$87,593.

Payments on the Series 2017 bond began March 2018. The gross recreation ad valorem revenues recognized during the current year were \$112,464.

15. Retirement Systems

Substantially all employees of the Town of Kentwood are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are a cost-sharing, multiple-employer public employee retirement system (PERS), controlled and administered by a separate board of trustees.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date* –an amended of GASB 68. These standards require the Town to record its proportional share of each of the pension plans' net pension liability and report the following disclosures:

A. Municipal Employee Retirement System of Louisiana (System)

Plan Description. The System was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the system.

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

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

Retirement Benefits:

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description is 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.

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:

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1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. 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. 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:

1. Seven years or more of service, at age sixty-seven or thereafter.
2. Ten years or more of service, at age sixty-two, or thereafter.
3. Thirty years or more of service, at age fifty-five or thereafter.
4. Twenty-five years of service credit at any age, 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.

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.

1. Surviving spouse who is not eligible for social security survivorship or retirement benefits, 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
2. 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 A or 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.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or 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

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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 the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

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.

Cost of Living Increases:

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

Deferred Benefits:

Both Plans provide 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.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or calling (225) 925-4810 or at www.mersla.com.

Funding Policy. Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans) of the taxes shown to be collectible by the tax rolls of each parish. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employees' Retirement System and the Employees' Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional

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sources of income are used as additional employer contributions and considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2018. During the year ending December 31, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$18,975 for its participation in MERS-Plan B.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2018 and 2017 were \$69,767, and \$71,707, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the Town reported a liability of \$639,270 for its proportionate share of the net pension liability of the System. 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 contribution of all participating, actuarially determined. At June 30, 2018, the Town's proportion was 0.755789%, which was a decrease of 0.066716% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense for the MERS System of \$125,262 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the MERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,712	\$ (28,794)
Changes of Assumptions	23,922	-
Net difference between projected and actual earnings on pension plan investments	103,903	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	13,928	(29,879)
Employer contributions subsequent to the measurement date	34,461	-
Total	\$ 177,926	\$ (58,673)

The Town reported a total of \$34,461 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

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

<u>Year</u>	
2019	\$ 50,948
2020	\$ 21,201
2021	\$ 9,421
2022	\$ 3,222
	\$ 84,792

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Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	3 years (Plan B)
Investment Rate of Return	7.275%, net of investment expense
Inflation Rate	2.6%
Salary Increases, including inflation And merit increases	5.0%
Annuitant and Beneficiary Mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Table set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee Mortality	RP-2000 Employee Sex Distinct Table set back 2 years for males and females.
Disabled Lives Mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 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-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

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:

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

The discount rate used to measure the total pension liability was 7.275%. 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 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 earning 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 2017 is 4 years for Plan B.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.275%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.275%	7.275%	8.275%
Town of Kentwood Share of NPL	\$ 838,964	\$ 639,270	\$ 469,513

B. Municipal Police Employees Retirement System of Louisiana (System)

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Plan Description. The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana.

Membership 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 arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Retirement Benefits:

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.

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 three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55.

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

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

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

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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.

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

Deferred Retirement Option Plan:

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

Initial Benefit Option Plan:

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

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

Funding Policy. According to state statute, the Town of Kentwood is required to contribute at an actuarially determined rate but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2018, total contributions due for employers and employees were 40.75%. The employer and employee contribution rates for 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%, respectively. The employer

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and employee contribution rates for members whose earnable compensation is less than or equal to poverty guidelines issued by the U.S. Department of Health and Human Services were 33.25% and 7.5%, respectively.

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. This additional source of income is used as additional employer contributions and considered support from non-employer contributing entities, but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2018. During the year ending December 31, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$8,670 for its participation in MPERS.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2018 and 2017 were \$38,628 and \$40,564, respectively, equal to the required contributions for each year. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At December 31, 2018, the Town reported a liability of \$371,446 for its proportionate share of the net pension liability of the System. 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 contribution of all participating, actuarially determined. At June 30, 2018, the Town's proportion was 0.043937%, which was an increase of 0.008456% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense for the MPERS System of \$71,679 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the MPERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,674	\$ (18,982)
Changes of Assumptions	24,274	-
Net difference between projected and actual earnings on pension plan investments	17,806	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	108,548	(28)
Employer contributions subsequent to the measurement date	18,861	-
Total	\$ 171,163	\$ (19,010)

The Town reported a total of \$18,861 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

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

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<u>Year</u>	
2019	\$ 70,065
2020	\$ 56,346
2021	\$ 6,237
2022	\$ 644
	<u>\$ 133,292</u>

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.2%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.60%
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 includes 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.

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 setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables.

Best estimates of arithmetic nominal 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:

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	<u>100%</u>	<u>5.28%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Rate		<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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rates	6.200%	7.200%	8.200%
Town of Kentwood Share of NPL	\$ 521,985	\$ 371,446	\$ 245,150

C. Firefighters Retirement System of Louisiana (System)

Plan Description. The Firefighters' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability, and survivor benefits to firefighters in Louisiana. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters who earn at least \$375 per month and are employed by a municipality, parish, or fire protection district of the State in addition to employees of the Firefighters' Retirement System.

Retirement Benefits:

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. 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.

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3 1/3% of their average final compensation based on the 36 consecutive months of

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement.

See R.S. 11:2256(A) for additional details on retirement benefits.

Disability Benefits:

A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11:2258(B).

Death Benefits:

Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11:2256(B) & (C).

Deferred Retirement Option Plan:

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to ERS cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to ERS. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option:

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

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Firefighters' Retirement System Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060 or at www.lafirefightersret.com.

Funding Policy. Plan members are required by state statute to contribute ten percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The employer contribution rates were 26.50 percent and 25.25 percent of annual covered salary for the plan years ending in 2018 and 2017. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

According to state statute ERS receives insurance premium tax funds from the State of Louisiana. This additional source of income is used as an additional employer contribution and is reported as a non-employer contribution but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2018. During the year ending December 31, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$7,676 for its participation in FRS.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2018 and 2017 were \$18,748 and \$17,164, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the Town reported a liability of \$170,123 for its proportionate share of the net pension liability of the System. 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 contribution of all participating, actuarially determined. At June 30, 2018, the Town's proportion was 0.029576%, which was an increase of 0.002643% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense for the FRS System of \$32,550 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the FRS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (12,948)
Changes of Assumptions	11,868	(27)
Net difference between projected and actual earnings on pension plan investments	11,062	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	63,364	(37,578)
Employer contributions subsequent to the measurement date	9,379	-
 Total	 \$ 95,673	 \$ (50,553)

The Town reported a total of \$9,379 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

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

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

<u>Year</u>	
2019	\$ 3,592
2020	\$ (2,877)
2021	\$ 8,201
2022	\$ 13,663
2023	\$ 11,076
2024	\$ 2,086
	<u>\$ 35,741</u>

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3%
Expected Remaining Service Lives	7 years
Inflation Rate	2.700%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% with 25 or more years of service; includes inflation and merit increases
Cost of Living Adjustments	For the purposes of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

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. 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. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The resulting long-term expected arithmetic nominal rates of return was 8.09% as of June 30, 2018.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

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

Asset Type		Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	U.S. Equity	22%	6.14%
	Non-U.S. Equity	22%	7.46%
	Global Equity	10%	6.74%
Fixed Income	Fixed Income	26%	1.76%
Alternatives	Real Estate	6%	4.38%
	Private Equity	4%	8.73%
Multi-Asset Strategies	Global Tactical Asset Allocation	5%	4.31%
	Risk Parity	5%	4.89%
		<u>100%</u>	

The discount rate used to measure the total pension liability was 7.30%. 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 the Board of Trustees and by the Public Retirement Systems' Actuarial Committee 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.30%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Rates	6.30%	7.30%	8.30%
Town of Kentwood Share of NPL	\$ 248,250	\$ 170,123	\$ 104,470

16. Restricted Fund Balances/Net Position

At December 31, 2018, the General Fund had \$22,229 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end. The General Fund also had \$104,989 at fiscal year-end recorded as restricted fund balance. The Town of Kentwood sold its interest in the building on April 13, 2000, restricting proceeds of the sale per terms of the original bond issue.

At December 31, 2018, the Volunteer Fire Department had \$27,678 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use in fire protection.

At December 31, 2018, the LHFA special revenue fund had \$1,595 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use for economic development.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

At December 31, 2018, the Recreation Ad Valorem special revenue fund had \$221,831 in fund balance restricted for specific use for operations and improvements for recreation.

At December 31, 2018, the Recreation Debt Service Fund had \$27,767 in fund balance restricted for specific use for bond restrictions related to the Series 2017 Revenue Bonds.

At December 31, 2018, the Recreation Capital Project Fund had \$276,414 in fund balance restricted for specific use for construction of the recreation park project which was funded by the Series 2017 Revenue Bonds.

At December 31, 2018, the Housing Assistance Fund, consisting of the United States Department of Housing and Urban Development (HUD) Housing Choice Voucher Program recorded net position of \$4,598, restricted for housing activities.

17. Risk Management

The Town is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Town purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The Town's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

18. Contingent Liabilities

At December 31, 2018, the Town was not involved in any outstanding litigation or claims.

19. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended December 31, 2018, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen and firefighters. In accordance with GASB 24, the Town recorded \$91,574 of on behalf payments as revenue and as expenditure in the General Fund.

20. LHFA Grant Revenue and Commitment

During the year ended December 31, 2010 the town was awarded \$369,539 in Community Development Block Grant funds, passed through the Louisiana Housing Finance Agency (LHFA) - Neighborhood Stabilization Program. The funds were awarded for the purchase, demolish and rebuild of two residential properties and for the purchase and rehabilitation of a third property. During 2010, the town expended \$244,901 of the grant funds with the remaining amounts to be expended in 2011. As part of the program award, the Town of Kentwood signed two promissory notes on October 6, 2010 in the amounts of \$123,180 and \$246,359 on the one rehabilitation property and the two rebuilt, respectively. The terms of the promissory notes included a fifteen year pay down scenario commencing twelve months after the issuance of a certificate of occupancy on the property. The terms of the pay down include a 1/15th annual reduction in the note amount at zero interest for each year that the property is leased to persons meeting the guidelines established in the notes as well as in the grant agreement. The notes become due and payable upon (i) the sale of the properties prior to fifteen years; or (ii) the failure of the Town to lease the property as outlined in the agreement. In 2010, the Town recorded \$244,901 as grant revenue in the

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA). In 2011, the Town recorded \$125,063 as grant revenue in the governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA). The two houses for which funding was received were completed with total construction costs for the two houses totaling \$304,315.

As the construction on the third LHFA property was nearing completion in 2012, an accident occurred, with a log truck losing control and demolishing the third LHFA property. At fiscal year-end 2011, \$101,495 in construction costs was recorded with the construction approximately 90 percent complete. Final costs of \$112,165 were recorded in 2012. After the Town paid \$1,136 for an inspection of the damaged house, the property was considered a total loss. Insurance reimbursement was received in the amount of \$180,535. The Town repaid \$79,580 of the NSP Grant. The Town also incurred \$8,500 in 2013 for the demolition of the building.

21. Intergovernmental Agreement

On January 14, 2013, the Town of Kentwood, on behalf of the Kentwood Volunteer Fire Department, entered into a contract with Tangipahoa Parish Fire Protection District No. 2 for centralized management and operation of Kentwood Volunteer Fire Department. This contract is part of an overall contract between the Tangipahoa Parish Fire Protection District No. 2 and a total of ten fire departments consisting of various fire departments that are governmental entities and fire departments that are non-profit entities organized and existing under the laws of the State of Louisiana. Significant provisions of the contract for the term beginning January 1, 2017 through December 31, 2020, signed on November 28, 2016, with the Tangipahoa Parish Fire Protection District No. 2 are as follows:

- Prior approval from the Fire Administrator of Tangipahoa Fire Protection District No. 2 (the District) must be obtained for all expenditures through a purchasing system which has been adopted by the Board of Commissioners of the District.
- All additions or other changes to personnel shall be ratified in accordance with the annual budget adopted by the Board of Commissioners of the District for each fiscal year. Any purchases of real property or equipment and/or expansion or repairs to existing facilities, with a cost in excess of \$10,000, shall be approved by the District, prior to such funds being expended.
- All equipment, having a purchase price of in excess of \$999, shall be tagged with an inventory tag. Additionally, any and all District equipment shall be property tagged and marked. Under no circumstances shall the inventory tags be removed in any manner. All vehicles purchased with District funds shall have the appropriate and distinctive District logo applied. An inventory list, as of December 31st of each previous year, shall be provided to the District no later than January 31st of the following year. The information to be provided shall include the following: sufficient item description, location of each item, tag number, date acquired and purchase price.
- The District agrees to appropriate, for the use of the undersigned Fire Departments, all monies it receives for fire protection purposes, excluding \$260,000 for the year ending December 31, 2017, which shall be deducted from the District's individual account in the month of January 2017, set aside in a separate District administrative account to be used by the District for specified purposes, including payroll, accounting fees, insurance, utilities, office supplies, postage, legal publications, telephone, and other operating items.
- All insurance which is deemed necessary by the District including, but not limited to workman's compensation, general liability, and liability on and physical damage to vehicles, shall be purchased and maintained by the District, with funds deducted from the allocations to the Fire Departments

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

made pursuant to this contract. All insurance policies must be in the name of Tangipahoa Parish Rural Fire District No. 2 as the owner on all vehicles, equipment, and property policies.

- The District shall administer funds and maintain the accounting records of all Fire Departments contracted with it (District).
- Each department contracted with the District shall administer their own payroll, with each Fire Department maintaining its own payroll checking account. Each individual Fire Department shall be reimbursed for its payroll expenses from its respective funds. All payroll documents shall be provided to the District, including bank reconciliations, payroll registers, time cards, etc. Payroll expenses will not be reimbursed for any position that has not been ratified by the Board of Commissioners of the District.
- Each Fire Department may elect to either receive its two (2%) per cent fire insurance rebate or have these funds deposited by the Tangipahoa Parish Rural Fire District No. 2 into the respective accounts of each Fire Department, which accounts will be maintained by the Tangipahoa Parish Rural Fire District No. 2. An annual report of these funds shall be provided to the District, if the Fire Departments elect to receive its rebate funds. Each individual Fire Department shall be financially responsible for its own annual report. The annual report shall contain detailed accounting of these funds with invoices and copies of checks.
- Any and all funds distributed to the various Fire Departments are at a set percentage agreed to under the terms of this contract. The allocation for the Kentwood Volunteer Fire Department for the fiscal year ending December 31, 2018, was 10.5%. In the event of emergency situations or unexpected events and conditions that may occur during the course of this agreement, this formula allocation may be adjusted by the Board of Commissioners with the consent of each individual Fire Department affected.
- The District shall provide each Fire Department with a monthly accounting of cash.
- Additional responsibilities and duties of the Tangipahoa Fire Protection District No. 2 and the various fire departments are as specified and detailed within this contract.
- As an attachment to this contract signed March 22, 2018, an agreement between the Tangipahoa Fire Protection District No. 2 and the Town of Kentwood further details the services to be provided by the Town of Kentwood in support of the Kentwood Volunteer Fire Department, and the services for which the Town of Kentwood may be reimbursed. As part of this attachment to the contract, it is specified that the parties herein and hereby agree that, for the fiscal year ending December 31, 2018, that the total reimbursement due the Town of Kentwood for salaries shall not exceed two-hundred fifty thousand dollars (\$250,000).

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

22. Other Commitments

In 2017, the Town entered into a professional services contract with Newell Engineering, LLC for the park project construction in the amount of \$117,075. As of December 31, 2018, the Town has incurred \$113,619 in costs for this construction project. There is approximately \$3,456 remaining in contracts pertaining to engineering costs.

In a special board meeting on June 5, 2018, the Town accepted the low and only bid from Magee Builders, LLC of \$954,116 for Phase 1A of the park project. As of December 31, 2018, the Town has incurred \$825,521 in costs for this construction project. There is approximately \$128,595, including retainage, remaining in contracts pertaining to construction costs.

Per the engineer, the total projected cost of all phases of the park project is approximately \$1,800,000. Construction of Phase 1B is budgeted at \$450,000. Construction of Phase 2 is budgeted at \$250,000. The total estimated funds available for all phases of the park project are \$1,800,000. This includes the funds from the bond issuance, after bond closing costs, of \$1,100,000, 2018 Louisiana Water Conservation Fund Grant of \$250,000, State Capital Outlay Grant of \$200,000, and anticipated 2020 Louisiana Water Conservation Fund Grant of \$250,000.

Town of Kentwood, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

23. Prior Period Adjustments

The net position of the Governmental and Business-Type Activities have been adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended December 31, 2018. After adoption, the Town amended the ordinance related to Other Postemployment Benefits which eliminated the OPEB liability.

Governmental Activities	<u>2018</u>
Beginning Net Position, Before Prior Period Adjustment	\$ 2,837,593
OPEB elimination due to ordinance amendment	54,052
Restated Beginning Net Position, After Prior Period Adjustment	\$ <u><u>2,891,645</u></u>

Business-Type Activities

Utility Fund:

Beginning Fund Balance, Before Prior Period Adjustment	\$ 2,288,507
OPEB elimination due to ordinance amendment	10,241
Restated Beginning Fund Balance, After Prior Period Adjustment	\$ <u><u>2,298,748</u></u>

24. Subsequent Events

On Phase 1A of the Park Project, the closeout has been delayed pending grass establishment throughout the park. It is anticipated that Phase 1A will be closed within the next 30-60 days. In 2019, the Town plans to begin Phase 1B. See Note 22. Other Commitments.

On July 19, 2019, the Town accepted, by donation, property located at 919 Ave G and 921 Ave G, subject to a lease with option to purchase with Kentwood Family Clinic, LLC, at 919 Avenue G, and subject to a lease with Oceans Behavioral Hospital of Kentwood, LLC. The property was acquired for public purpose. The property was donated to the Town with a value of \$300,000 as to the movable property, \$155,000 as to the Kentwood Family Clinic, LLC lease agreement, and \$101,500 as to Oceans lease agreement. The Town cannot sell, convey, assign, donate, or otherwise transfer the property on or before the third annual anniversary of the donation.

Subsequent events have been evaluated by management through September 14, 2019, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2018.

Required Supplemental Information (Part II)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Summary
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,037,900	\$ 1,145,400	\$ 1,163,453	\$ 18,053
Licenses and Permits	157,900	137,700	138,494	794
Intergovernmental	216,400	162,090	155,082	(7,008)
Charges for Services	38,700	36,600	36,476	(124)
Fines and Forfeitures	16,500	16,500	15,368	(1,132)
Sanitation Fees	100,500	100,500	101,585	1,085
Interest	3,500	4,500	5,001	501
On Behalf Payments - Supplemental Pay	88,000	92,500	91,574	(926)
Donations	250	2,075	17,075	15,000
Miscellaneous	11,300	11,300	8,823	(2,477)
Total Revenues	<u>1,670,950</u>	<u>1,709,165</u>	<u>1,732,931</u>	<u>23,766</u>
Expenditures				
General Government	867,950	859,500	784,826	74,674
Public Safety:				
Police	716,200	699,700	680,123	19,577
Fire	192,200	181,900	168,088	13,812
Public Works - Streets and Sanitation	730,700	731,200	718,955	12,245
Health and Welfare	6,600	6,600	6,594	6
Recreation	4,500	3,500	21	3,479
Capital Outlays	21,000	-	21,008	(21,008)
Debt Service				
Principal	54,700	54,700	54,612	88
Interest	8,900	8,900	8,842	58
Total Expenditures	<u>2,602,750</u>	<u>2,546,000</u>	<u>2,443,069</u>	<u>102,931</u>
Excess Revenues (Expenditures)	<u>(931,800)</u>	<u>(836,835)</u>	<u>(710,138)</u>	<u>126,697</u>
Other Financing Sources (Uses)				
Operating Transfers In	850,000	639,655	648,578	8,923
Operating Transfers (Out)	(15,600)	(18,050)	(17,549)	501
Sale of Fixed Assets	-	750	750	-
Total Other Financing Sources (Uses)	<u>834,400</u>	<u>622,355</u>	<u>631,779</u>	<u>9,424</u>
Net Change in Fund Balances	<u>(97,400)</u>	<u>(214,480)</u>	<u>(78,359)</u>	<u>136,121</u>
Fund Balances, Beginning	<u>452,865</u>	<u>452,865</u>	<u>452,865</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 355,465</u>	<u>\$ 238,385</u>	<u>\$ 374,506</u>	<u>\$ 136,121</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2018

Revenues	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
Ad Valorem	\$ 166,700	\$ 186,700	\$ 236,507	\$ 49,807
Sales Taxes	812,000	900,000	868,701	(31,299)
Franchise Taxes	49,200	48,000	46,684	(1,316)
Alcoholic Beverage Taxes	6,000	7,500	8,301	801
Gaming	-	-	-	-
Chain Store Taxes	4,000	3,200	3,260	60
Total Taxes	1,037,900	1,145,400	1,163,453	18,053
Licenses and Permits				
Business Privilege and Insurance License	148,000	129,100	129,287	187
Building Permits	1,000	1,200	1,342	142
Electric Permits	4,000	4,000	4,375	375
Liquor Licenses	4,900	3,400	3,490	90
Total Licenses and Permits	157,900	137,700	138,494	794
Intergovernmental				
Federal Grants				
FEMA	131,400	142,240	142,240	-
USDA - Police Car Grants	62,000	3,000	-	(3,000)
State Grants				
Other State Grants	-	-	3,000	3,000
LGAP Grants	12,000	7,000	-	(7,000)
Other				
Fire District Reimbursement	11,000	9,850	9,842	(8)
Total Intergovernmental	216,400	162,090	155,082	(7,008)
Miscellaneous Revenues				
Charges for Services	38,700	36,600	36,476	(124)
Fines and Forfeitures	16,500	16,500	15,368	(1,132)
Sanitation Fees	100,500	100,500	101,585	1,085
Interest	3,500	4,500	5,001	501
On Behalf Payments - Supplemental Pay	88,000	92,500	91,574	(926)
Donations	250	2,075	17,075	15,000
Miscellaneous	11,300	11,300	8,823	(2,477)
Total Miscellaneous Revenues	258,750	263,975	275,902	11,927

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2018

Expenditures	Budgeted Amounts		Actual Amounts GAAP Basis	Variance
	Original	Final		Favorable (Unfavorable)
General Government				
Salaries				
Mayor and Aldermen	70,000	70,000	69,491	509
Clerical	162,500	133,000	139,038	(6,038)
Janitorial	10,600	11,500	11,488	12
Museum	16,700	16,700	9,296	7,404
Attorney	5,200	5,200	5,200	-
Benefits				
Health Insurance	108,000	80,000	83,660	(3,660)
Retirement	36,500	42,000	36,742	5,258
Other Benefits	-	-	12,113	(12,113)
Payroll Taxes	69,000	72,500	67,764	4,736
General and Administrative	9,000	20,000	6,111	13,889
Insurance	122,900	127,700	111,184	16,516
Other Operating				
Aldermen Travel	5,000	5,000	3,784	1,216
Assessor Taxroll	5,000	2,000	1,942	58
Computer Expense	10,000	10,500	8,431	2,069
Coroner's Fees	5,000	5,000	4,520	480
Council on Aging	2,400	2,400	2,200	200
Dues and Subscription	2,000	2,000	542	1,458
Mayor's Expense	5,000	3,000	2,745	255
Meeting and Travel Expense	7,500	11,200	10,487	713
Miscellaneous	22,600	36,900	20,199	16,701
Museum	1,500	1,000	-	1,000
Promotion	2,800	1,250	-	1,250
Uniforms	1,000	-	-	-
Zoning	750	750	260	490
Professional Fees	85,000	108,000	103,024	4,976
Rent - Community Center	5,300	4,800	4,400	400
Repairs and Maintenance				
City Hall	3,000	3,000	2,113	887
Civic Center	2,000	2,000	422	1,578
Community Center	1,000	1,000	630	370
Council on Aging	2,000	1,000	271	729
Health Unit	1,000	500	143	357
Martin Luther King Park	1,500	1,000	600	400
Museum	3,000	2,500	675	1,825
Supplies	25,000	10,000	10,513	(513)
Utilities				
City Hall	23,000	30,000	27,736	2,264
Civic Center	7,000	7,000	6,934	66
Commodity Center	5,500	5,000	4,312	688
Council on Aging	7,500	6,000	5,727	273
Health Unit	5,500	4,500	3,861	639
Martin Luther King Park	1,500	6,000	811	5,189
Museum	8,200	7,600	5,457	2,143
Total General Government	867,950	859,500	784,826	74,674

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Public Safety:				
Police				
Salaries	436,000	446,000	442,663	3,337
Benefits - Retirement	147,100	137,200	130,965	6,235
Fuel	45,000	43,000	41,353	1,647
General and Administrative	9,000	11,000	8,079	2,921
Insurance - Workers Compensation	25,600	25,000	23,778	1,222
Other operating				
Court Attendance	5,000	1,000	350	650
Housing Prisoners	3,000	500	-	500
Miscellaneous	5,500	5,500	5,397	103
Office Expense	4,000	1,000	697	303
Schools and Seminars	4,000	2,000	1,762	238
Special Fund	1,000	1,000	-	1,000
Uniforms	4,000	5,000	4,839	161
Repairs and Maintenance	10,000	8,000	7,172	828
Supplies	10,000	6,000	6,201	(201)
Telephone	7,000	7,500	6,867	633
Total Police	<u>716,200</u>	<u>699,700</u>	<u>680,123</u>	<u>19,577</u>
Fire				
Salaries	133,300	136,300	129,963	6,337
Benefits - Retirement	16,200	17,100	17,297	(197)
Fuel	1,500	1,000	330	670
General and Administrative	1,200	-	-	-
Insurance - Workers Compensation	13,500	13,500	11,706	1,794
Other operating	9,000	7,000	2,938	4,062
Repairs and Maintenance - Fire Truck	12,000	5,000	5,286	(286)
Telephone	5,500	2,000	568	1,432
Total Fire	<u>192,200</u>	<u>181,900</u>	<u>168,088</u>	<u>13,812</u>
Total Public Safety	<u>908,400</u>	<u>881,600</u>	<u>848,211</u>	<u>33,389</u>

(Continued)

See independent auditor's report.

Schedule 2

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Public Works - Streets and Sanitation				
Salaries	105,000	105,000	105,392	(392)
Benefits	28,500	21,900	21,105	795
Fuel	10,000	6,000	5,697	303
Garbage Collection	255,000	280,000	272,422	7,578
Insurance - Workers Compensation	10,700	11,000	10,469	531
Other operating	7,500	3,300	1,483	1,817
Repairs and Maintenance				
Cemetery	24,000	24,000	22,000	2,000
Equipment	30,000	15,000	12,552	2,448
Maintenance Contract	12,000	-	-	-
Street and Bridge	-	5,000	2,351	2,649
Street and Bridge - Flood	146,000	170,500	175,420	(4,920)
Tree	2,000	2,000	1,700	300
Supplies	20,000	7,500	4,920	2,580
Utilities - Street Lights	80,000	80,000	83,444	(3,444)
Total Public Works - Streets and Sanitation	730,700	731,200	718,955	12,245
Health and Welfare				
Other operating	6,600	6,600	6,594	6
Total Health and Welfare	6,600	6,600	6,594	6
Recreation				
Salaries	-	-	-	-
Other operating	3,000	2,000	5	1,995
Utilities	1,500	1,500	16	1,484
Total Recreation	4,500	3,500	21	3,479
Capital Outlays				
General Government	-	-	4,080	(4,080)
Public Safety - Police Protection	-	-	15,000	(15,000)
Public Safety - Fire Protection	-	-	-	-
Public Works - Streets and Sanitation	21,000	-	1,928	(1,928)
Recreation	-	-	-	-
Total Capital Outlays	21,000	-	21,008	(21,008)
Debt Service				
Principal	54,700	54,700	54,612	88
Interest	8,900	8,900	8,842	58
Total Debt Service	63,600	63,600	63,454	146
Excess Revenues (Expenditures)	(931,800)	(836,835)	(710,138)	126,697
Other Financing Sources (Uses)				
Operating Transfers In	850,000	639,655	648,578	8,923
Operating Transfers (Out)	(15,600)	(18,050)	(17,549)	501
Sale of Fixed Assets	-	750	750	-
Total Other Financing Sources (Uses)	834,400	622,355	631,779	9,424
Net Change in Fund Balances	(97,400)	(214,480)	(78,359)	136,121
Fund Balances, Beginning	452,865	452,865	452,865	-
Fund Balances, Ending	\$ 355,465	\$ 238,385	\$ 374,506	\$ 136,121

(Concluded)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund - Kentwood Volunteer Fire Department
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> GAAP Basis	<u>Variance</u> Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Ad Valorem Taxes	\$ 525,000	\$ 574,000	\$ 527,153	\$ (46,847)
Intergovernmental				
Ad Valorem Taxes- Village of Tangipahoa	8,200	8,200	8,200	-
Fire Insurance Rebate - Tangipahoa	37,000	34,300	34,224	(76)
Fire Insurance Rebate - St. Helena	4,300	3,900	3,910	10
State Grant - LA Forestry	4,000	4,580	-	(4,580)
State Revenue Sharing	-	-	47,126	47,126
Interest	10,000	28,500	28,767	267
Miscellaneous	1,000	600	7,452	6,852
Total Revenues	<u>589,500</u>	<u>654,080</u>	<u>656,832</u>	<u>2,752</u>
Expenditures				
Public Safety:				
Fire				
Salaries				
Administrative	9,000	4,500	4,404	96
Fire Chief	15,000	6,600	6,500	100
Firefighters	150,000	140,000	142,285	(2,285)
Maintenance	6,000	4,200	4,139	61
Benefits	52,700	50,200	50,360	(160)
Payroll Taxes	12,000	12,000	11,598	402
Fuel	25,000	12,500	13,463	(963)
Insurance	53,000	53,500	55,963	(2,463)
Other operating				
Dues and Subscriptions	500	2,000	2,253	(253)
Office	2,500	2,500	1,548	952
Miscellaneous	3,000	1,000	1,668	(668)
Public Education	7,000	7,000	-	7,000
Training and Tuition	7,000	7,000	8,912	(1,912)
Volunteer Firemen Expense	30,000	26,000	23,004	2,996
Professional Fees	10,000	5,600	5,782	(182)
Rent	-	-	40	(40)
Repairs and Maintenance	45,000	40,000	52,774	(12,774)
Supplies	42,000	21,000	24,420	(3,420)
Telephone	-	-	8,291	(8,291)
Utilities	20,000	21,000	14,820	6,180
Total Public Safety - Fire	<u>489,700</u>	<u>416,600</u>	<u>432,224</u>	<u>(15,624)</u>
Capital Outlays - Fire Protection	700,000	27,000	26,362	638
Total Expenditures	<u>1,189,700</u>	<u>443,600</u>	<u>458,586</u>	<u>(14,986)</u>
Excess Revenues (Expenditures)	<u>(600,200)</u>	<u>210,480</u>	<u>198,246</u>	<u>(12,234)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Other Nonoperating Revenue	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(600,200)</u>	<u>210,480</u>	<u>198,246</u>	<u>(12,234)</u>
Fund Balances, Beginning	<u>1,257,542</u>	<u>1,257,542</u>	<u>1,257,542</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 657,342</u>	<u>\$ 1,468,022</u>	<u>\$ 1,455,788</u>	<u>\$ (12,234)</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund 2 - LHFA Fund
For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u>
Revenues				
Rental Income	\$ 15,600	\$ 15,700	\$ 15,948	\$ 248
Interest	350	550	550	-
Total Revenues	<u>15,950</u>	<u>16,250</u>	<u>16,498</u>	<u>248</u>
Expenditures				
General and Administrative	150	400	313	87
Insurance	4,100	2,200	3,627	(1,427)
Repairs and Maintenance	2,500	300	90	210
Total Expenditures	<u>6,750</u>	<u>2,900</u>	<u>4,030</u>	<u>(1,130)</u>
Excess Revenues (Expenditures)	<u>9,200</u>	<u>13,350</u>	<u>12,468</u>	<u>(882)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>9,200</u>	<u>13,350</u>	<u>12,468</u>	<u>(882)</u>
Fund Balances, Beginning	<u>69,399</u>	<u>70,003</u>	<u>70,003</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 78,599</u>	<u>\$ 83,353</u>	<u>\$ 82,471</u>	<u>\$ (882)</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund 3 - Recreation Ad Valorem
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 117,500	\$ 114,000	\$ 112,464	\$ (1,536)
Federal Grant	250,000	-	-	-
Interest	-	-	36	36
Total Revenues	<u>367,500</u>	<u>114,000</u>	<u>112,500</u>	<u>(1,500)</u>
Expenditures				
Recreation	-	-	4,246	(4,246)
Capital Outlays	1,300,000	-	-	-
Debt Service				
Principal	61,200	61,200	-	61,200
Interest	-	-	-	-
Total Expenditures	<u>1,361,200</u>	<u>61,200</u>	<u>4,246</u>	<u>56,954</u>
Excess Revenues (Expenditures)	<u>(993,700)</u>	<u>52,800</u>	<u>108,254</u>	<u>55,454</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(993,700)</u>	<u>52,800</u>	<u>108,254</u>	<u>55,454</u>
Fund Balances, Beginning	<u>1,257,815</u>	<u>113,577</u>	<u>113,577</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 264,115</u>	<u>\$ 166,377</u>	<u>\$ 221,831</u>	<u>\$ 55,454</u>

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Proportionate Share of the Net Pension Liability - MERS Plan B
Last 10 Fiscal Years*

Municipal Employees' Retirement System	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.765597%	0.783284%	0.822505%	0.755789%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 520,336	\$ 649,271	\$ 711,658	\$ 639,270
Employer's Covered-Employee Payroll	\$ 533,117	\$ 591,736	\$ 625,078	\$ 584,323
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	97.602590%	109.723086%	113.851071%	109.403532%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.713552%	63.337630%	62.493982%	65.598132%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Proportionate Share of the Net Pension Liability - MPERS
Last 10 Fiscal Years*

Municipal Police Employees' Retirement System	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.019332%	0.021724%	0.035481%	0.043937%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 151,446	\$ 203,615	\$ 309,764	\$ 371,446
Employer's Covered-Employee Payroll	\$ 53,981	\$ 86,564	\$ 170,900	\$ 131,275
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	280.5543%	235.2190%	181.2545%	282.9526%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.7303%	66.0422%	70.0815%	71.8871%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Proportionate Share of the Net Pension Liability - FRS
Last 10 Fiscal Years

State of Louisiana Firefighters' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.012393%	0.015281%	0.026933%	0.029576%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 66,886	\$ 99,952	\$ 154,376	\$ 170,123
Employer's Covered-Employee Payroll	\$ 26,338	\$ 55,187	\$ 57,895	\$ 61,446
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	253.9525%	181.1151%	266.6482%	276.8659%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.45%	68.16%	73.55%	74.76%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - MERS Plan B
For the year ended December 31, 2018

Municipal Employees' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 52,504	\$ 61,823	\$ 71,707	\$ 69,767
Contributions in relation to contractually required contributions	<u>52,504</u>	<u>61,823</u>	<u>71,707</u>	<u>69,767</u>
Contribution deficiency (excess)	-	-	-	-
Employer's Covered Employee Payroll	\$ 559,837	\$ 610,624	\$ 622,325	\$ 511,342
Contributions as a % of Covered Employee Payroll	9.3784%	10.1246%	11.5224%	13.6439%

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - MPERS
For the year ended December 31, 2018

Municipal Police Employees' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 12,884	\$ 28,611	\$ 40,564	\$ 38,628
Contributions in relation to contractually required contributions	<u>12,884</u>	<u>28,611</u>	<u>40,564</u>	<u>38,628</u>
Contribution deficiency (excess)	-	-	-	-
Employer's Covered Employee Payroll	\$ 51,163	\$ 103,632	\$ 162,807	\$ 99,978
Contributions as a % of Covered Employee Payroll	25.1823%	27.6083%	24.9154%	38.6365%

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - FRS
For the year ended December 31, 2018

State of Louisiana Firefighters' Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 7,667	\$ 13,700	\$ 17,164	\$ 18,748
Contributions in relation to contractually required contributions	<u>7,667</u>	<u>13,700</u>	<u>17,164</u>	<u>18,748</u>
Contribution deficiency (excess)	-	-	-	-
Employer's Covered Employee Payroll	\$ 32,449	\$ 58,300	\$ 59,721	\$ 70,692
Contributions as a % of Covered Employee Payroll	23.6278%	23.4991%	28.7403%	26.5207%

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

See independent auditor's report.

Other Supplemental Information

Town of Kentwood
Schedule of Net Position
Proprietary Fund Type - Utility Fund
As of December 31, 2018
(with 2017 summarized comparative information)

	Utility Fund	
	2018	2017 (Restated)
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 185,243	\$ 115,772
Receivables, Net	292,712	226,769
Due From Other Funds	5,781	5,781
Due From State	192	192
Inventory	4,129	4,129
Prepaid Insurance	995	995
Total Current Assets	<u>489,052</u>	<u>353,638</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	254,209	414,562
Total Restricted Assets	<u>254,209</u>	<u>414,562</u>
Property, Plant, and Equipment		
Land	21,100	21,100
Construction in Progress	-	2,681,493
Property, Plant and Equipment, Net	<u>4,841,034</u>	<u>2,318,783</u>
Total Property, Plant, and Equipment	<u>4,862,134</u>	<u>5,021,376</u>
Total Assets	<u>5,605,395</u>	<u>5,789,576</u>
Deferred Outflows of Resources		
Pension Related	<u>77,785</u>	<u>105,306</u>
Total Deferred Outflows of Resources	<u>77,785</u>	<u>105,306</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	77,855	46,404
Other Accrued Payables	26,997	28,776
Construction Payables	-	143,281
Due To Other Funds	<u>12,457</u>	<u>65,448</u>
Total Current Liabilities (Payable From Current Assets)	<u>117,309</u>	<u>283,909</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	147,222	139,511
Revenue Bonds Payable	118,117	113,283
Capital Lease Payable	<u>15,666</u>	<u>15,178</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>281,005</u>	<u>267,972</u>
Long Term Liabilities:		
Bonds Payable	2,515,596	2,633,713
Capital Lease Payable	5,333	21,000
Net Pension Liability	272,413	297,025
Accrued Sick Leave Convertible to Retirement	<u>34,469</u>	<u>85,985</u>
Total Long Term Liabilities	<u>2,827,811</u>	<u>3,037,723</u>
Total Liabilities	<u>3,226,125</u>	<u>3,589,604</u>
Deferred Inflows of Resources		
Pension Related	<u>21,176</u>	<u>6,530</u>
Total Deferred Inflows of Resources	<u>21,176</u>	<u>6,530</u>
Net Position		
Net Investment in Capital Assets	2,314,409	2,369,972
Restricted for:		
Capital Projects and Debt Service	-	-
Unrestricted	<u>121,470</u>	<u>(71,224)</u>
Total Net Position	<u>\$ 2,435,879</u>	<u>\$ 2,298,748</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses, and Changes in Net Position
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	Utility Fund	
	2018	2017 (Restated)
Operating Revenues		
Gas Sales	\$ 593,253	\$ 459,029
Less Cost of Gas Sold	(199,277)	(172,027)
Gross Profit on Gas Sales	393,976	287,002
Water Sales	650,125	634,091
Sewer Service Charges	552,261	355,865
Intergovernmental State Grants	6,450	7,987
Other	52,640	48,090
Total Operating Revenues	1,655,452	1,333,035
Operating Expenses		
Bad Debts	-	-
Cathodic Protection	2,039	6,046
Depreciation	222,384	172,574
Employee Benefits	119,678	148,111
Insurance - Workers Compensation	7,698	8,402
Other	41,346	35,458
Professional Fees	2,869	37,734
Repairs and Maintenance	59,499	39,823
Salaries and Wages	131,459	241,441
Supplies	48,332	53,650
Utilities	97,058	73,935
Water Treatment	61,816	59,037
Total Operating Expenses	794,178	876,211
Operating Income (Loss)	861,274	456,824
Nonoperating Revenues (Expenses)		
Gain (Loss) on Sale of Assets	-	-
Interest Income	7,061	10,528
Interest Expense	(94,626)	(1,398)
Total Nonoperating Revenues (Expenses)	(87,565)	9,130
Income (Loss) Before Transfers	773,709	465,954
Contributions and Transfers		
Capital Contributions	12,000	-
Operating Transfers In	-	-
Operating Transfers Out	(648,578)	-
Change in Net Position	137,131	465,954
Total Net Position, Beginning	2,288,507	1,832,794
Total Net Position, Ending	\$ 2,435,879	\$ 2,298,748

See independent auditor's report.

Town of Kentwood
Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	<u>Utility Fund</u>	
	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		(Restated)
Received From Customers	\$ 1,726,771	\$ 1,399,533
Received for Meter Deposit Fees	7,711	4,470
Other Receipts	62,015	56,273
Received for Interfund Services	-	(5,781)
Received (Payments) for Interfund Services	(52,991)	(537,369)
Payments for Operations	(539,999)	(493,163)
Payments to Employees	(235,361)	(368,189)
Net Cash Provided (Used) by Operating Activities	<u>968,146</u>	<u>55,774</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	(648,578)	-
Net Cash (Used) by Noncapital Financing Activities	<u>(648,578)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	12,000	-
Proceeds from Sale of Capital Acquisitions	-	-
(Payments for) Capital Acquisitions	(206,423)	(613,376)
(Payments for) Bond Issuance Costs	-	-
Principal Proceeds from (Repayments for) Long Term Debt	(128,462)	(123,352)
Interest Payments for Long Term Debt	(94,626)	(1,398)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(417,511)</u>	<u>(738,126)</u>
Cash Flows From Investing Activities		
Receipt of Interest	7,061	10,528
Net Cash Provided by Investing Activities	<u>7,061</u>	<u>10,528</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(90,882)	(671,824)
Cash and Cash Equivalents, Beginning of Year	530,334	1,202,158
Cash and Cash Equivalents, End of Year	<u>\$ 439,452</u>	<u>\$ 530,334</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 185,243	\$ 115,772
Cash and Cash Equivalents, Restricted	254,209	414,562
Total Cash and Cash Equivalents	<u>\$ 439,452</u>	<u>\$ 530,334</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2018
(with 2017 summarized comparative information)

	Utility Fund	
	2018	2017 (Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 861,274	\$ 456,824
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	222,384	172,574
(Increase) decrease in Accounts Receivable	(68,868)	(49,452)
(Increase) decrease in Other Receivable	2,925	196
(Increase) decrease in Inventory	-	-
(Increase) decrease in Prepaid Insurance	-	-
(Increase) decrease in Deferred Outflows of Resources	27,521	928
(Increase) decrease in Due (to) and from Other Funds	(52,991)	(543,150)
Increase (decrease) in Accounts Payable	31,451	(13,248)
Increase (decrease) in Compensated Absences	(812)	(4,761)
Increase (decrease) in Accrued Expenses	(77,095)	31,169
Increase (decrease) in Deferred Inflows of Resources	14,646	224
Increase (decrease) in Customer Deposits	7,711	4,470
Net Cash Provided (Used) by Operating Activities	<u>\$ 968,146</u>	<u>\$ 55,774</u>

(Concluded)

See independent auditor's report.

Town of Kentwood
Combining Schedule of Net Position, Proprietary Fund Type, Utility Fund
As of December 31, 2018

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 185,210	\$ -	\$ 33	\$ 185,243
Receivables, Net	292,687	25	-	292,712
Due From State		192		192
Due From Other Funds	5,781	-	-	5,781
Inventory	4,129	-	-	4,129
Prepaid Insurance	995	-	-	995
Total Current Assets	<u>488,802</u>	<u>217</u>	<u>33</u>	<u>489,052</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	147,222	106,987	-	254,209
Total Restricted Assets	<u>147,222</u>	<u>106,987</u>	<u>-</u>	<u>254,209</u>
Property, Plant, and Equipment				
Land	21,100	-	-	21,100
Construction in Progress	-	-	-	-
Property, Plant and Equipment, Net	148,989	3,548,177	1,143,868	4,841,034
Total Property, Plant, and Equipment	<u>170,089</u>	<u>3,548,177</u>	<u>1,143,868</u>	<u>4,862,134</u>
Total Assets	<u>806,113</u>	<u>3,655,381</u>	<u>1,143,901</u>	<u>5,605,395</u>
Deferred Outflows of Resources				
Pension Related	54,450	10,112	13,223	77,785
Total Deferred Outflows of Resources	<u>54,450</u>	<u>10,112</u>	<u>13,223</u>	<u>77,785</u>
Liabilities				
Current Liabilities (Payable From Current Assets):				
Accounts Payable	77,855	-	-	77,855
Other Accrued Payables	26,997	-	-	26,997
Due To Other Funds	-	12,457	-	12,457
Total Current Liabilities (Payable From Current Assets)	<u>104,852</u>	<u>12,457</u>	<u>-</u>	<u>117,309</u>
Current Liabilities (Payable From Restricted Assets):				
Customer Deposits	56,999	90,223	-	147,222
Revenue Bonds Payable	-	118,117	-	118,117
Capital Lease Payable	-	15,666	-	15,666
Total Current Liabilities (Payable From Restricted Assets)	<u>56,999</u>	<u>224,006</u>	<u>-</u>	<u>281,005</u>
Long Term Liabilities:				
Bonds Payable	-	2,515,596	-	2,515,596
Capital Lease Payable	-	5,333	-	5,333
Net Pension Liability	190,689	35,414	46,310	272,413
Accrued Sick Leave Convertible to Retirement	34,469	-	-	34,469
Total Long Term Liabilities	<u>225,158</u>	<u>2,556,343</u>	<u>46,310</u>	<u>2,827,811</u>
Total Liabilities	<u>387,009</u>	<u>2,792,806</u>	<u>46,310</u>	<u>3,226,125</u>
Deferred Inflows of Resources				
Pension Related	14,823	2,753	3,600	21,176
Total Deferred Inflows of Resources	<u>14,823</u>	<u>2,753</u>	<u>3,600</u>	<u>21,176</u>
Net Position				
Net Investment in Capital Assets				2,314,409
Restricted for:				
Capital Projects and Debt Service				-
Unrestricted				121,470
Total Net Position				<u>\$ 2,435,879</u>

See independent auditor's report.

Town of Kentwood
Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type, Utility Fund
For the year ended December 31, 2018

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 593,253	\$ -	\$ -	\$ 593,253
Less Cost of Gas Sold	<u>(199,277)</u>	<u>-</u>	<u>-</u>	<u>(199,277)</u>
Gross Profit on Gas Sales	393,976	-	-	393,976
Water Sales	-	650,125	-	650,125
Sewer Service Charges	-	-	552,261	552,261
Intergovernmental - Pension Paid by Others	4,558	1,086	806	6,450
Other	<u>13,581</u>	<u>27,648</u>	<u>11,411</u>	<u>52,640</u>
Total Operating Revenues	<u>412,115</u>	<u>678,859</u>	<u>564,478</u>	<u>1,655,452</u>
Operating Expenses				
Bad Debts	-	-	-	-
Cathodic Protection	2,039	-	-	2,039
Depreciation	10,016	127,592	84,776	222,384
Employee Benefits	87,684	20,491	11,503	119,678
Insurance - Workers Compensation	3,933	2,647	1,118	7,698
Other	20,118	17,551	3,677	41,346
Professional Fees	-	2,869	-	2,869
Repairs and Maintenance	4,342	22,340	32,817	59,499
Salaries and Wages	83,064	37,033	11,362	131,459
Supplies	13,811	29,345	5,176	48,332
Utilities	-	76,045	21,013	97,058
Water Treatment	<u>-</u>	<u>61,816</u>	<u>-</u>	<u>61,816</u>
Total Operating Expenses	<u>225,007</u>	<u>397,729</u>	<u>171,442</u>	<u>794,178</u>
Operating Income (Loss)	<u>187,108</u>	<u>281,130</u>	<u>393,036</u>	<u>861,274</u>
Nonoperating Revenues (Expenses)				
Interest Income	2,041	4,217	803	7,061
Interest Expense	<u>-</u>	<u>(94,626)</u>	<u>-</u>	<u>(94,626)</u>
Total Nonoperating Revenues (Expenses)	<u>2,041</u>	<u>(90,409)</u>	<u>803</u>	<u>(87,565)</u>
Income (Loss) Before Transfers	<u>189,149</u>	<u>190,721</u>	<u>393,839</u>	<u>773,709</u>
Contributions and Transfers				
Capital Contributions	-	12,000	-	12,000
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(648,578)</u>	<u>-</u>	<u>-</u>	<u>(648,578)</u>
Change in Net Position	<u>(459,429)</u>	<u>202,721</u>	<u>393,839</u>	<u>137,131</u>
Total Net Position, Beginning				2,288,507
Prior Period Adjustment (Note 23)				<u>10,241</u>
Total Adjusted Net Position, Beginning, After Prior Period Adjustments				<u>2,298,748</u>
Total Net Position, Ending				<u>\$ 2,435,879</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 575,000	\$ 593,253	\$ 18,253
Less Cost of Gas Sold	<u>(208,532)</u>	<u>(199,277)</u>	<u>9,255</u>
Gross Profit on Gas Sales	366,468	393,976	27,508
Intergovernmental - Pension Paid by Others	-	4,558	4,558
Other			
Bad Debt Recoveries	250	-	(250)
Miscellaneous	3,300	2,370	(930)
Penalties	9,000	11,211	2,211
Total Operating Revenues	<u>379,018</u>	<u>412,115</u>	<u>33,097</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Cathodic Protection	6,000	2,039	3,961
Depreciation	10,000	10,016	(16)
Employee Benefits			
Health Insurance	43,300	43,138	162
Life Insurance	700	685	15
Payroll Taxes	10,350	10,191	159
Retirement	18,800	33,670	(14,870)
Insurance - Workers Compensation	4,400	3,933	467
Other			
Computer Expenses	500	-	500
DOT Drug Testing	900	680	220
Gas Leak Survey	5,000	3,977	1,023
Gas Operator Certification	4,100	4,195	(95)
Fuel	2,800	12	2,788
Meter Reading	7,000	6,760	240
Miscellaneous	5,100	4,494	606
Office Expense	1,000	-	1,000
Professional Fees	17,000	-	17,000
Repairs and Maintenance	7,000	4,342	2,658
Salaries and Wages	135,000	83,064	51,936
Supplies	18,000	13,811	4,189
Total Operating Expenses	<u>300,450</u>	<u>225,007</u>	<u>75,443</u>
Operating Income (Loss)	<u>78,568</u>	<u>187,108</u>	<u>108,540</u>
Nonoperating Revenues (Expenses)			
Interest Income	2,000	2,041	41
Total Nonoperating Revenues (Expenses)	<u>2,000</u>	<u>2,041</u>	<u>41</u>
Income (Loss) Before Transfers	<u>80,568</u>	<u>189,149</u>	<u>108,581</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	(639,655)	(648,578)	(8,923)
Change in Net Position	<u>\$ (559,087)</u>	<u>\$ (459,429)</u>	<u>\$ 99,658</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
For the year ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 642,900	\$ 650,125	\$ 7,225
Intergovernmental - Pension Paid by Others	-	1,086	1,086
Other			
Delinquent Charges	9,000	11,211	2,211
Miscellaneous	3,200	3,184	(16)
Safe Drinking Water Fee	13,000	13,253	253
Total Operating Revenues	<u>668,100</u>	<u>678,859</u>	<u>10,759</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Depreciation	123,000	127,592	(4,592)
Employee Benefits			
Health Insurance	10,000	9,410	590
Life Insurance	200	188	12
Payroll Taxes	3,600	3,017	583
Retirement	4,700	7,876	(3,176)
Insurance - Workers Compensation	2,500	2,647	(147)
Other			
Computer Expenses	500	-	500
Department of Environmental Quality Fees	3,000	2,386	614
Fuel	4,000	944	3,056
Office Expense	1,000	5,582	(4,582)
Safe Drinking Water Fee	14,400	8,639	5,761
Professional Fees	20,000	2,869	17,131
Repairs and Maintenance	23,500	22,340	1,160
Salaries and Wages	42,000	37,033	4,967
Supplies	37,000	29,345	7,655
Utilities - Pump Electricity	70,000	76,045	(6,045)
Water Treatment	50,000	61,816	(11,816)
Total Operating Expenses	<u>412,900</u>	<u>397,729</u>	<u>15,171</u>
Operating Income (Loss)	<u>255,200</u>	<u>281,130</u>	<u>25,930</u>
Nonoperating Revenues (Expenses)			
Interest Income	4,100	4,217	117
Interest Expense	(94,700)	(94,626)	74
Total Nonoperating Revenues (Expenses)	<u>(90,600)</u>	<u>(90,409)</u>	<u>191</u>
Income (Loss) Before Transfers	<u>164,600</u>	<u>190,721</u>	<u>26,121</u>
Contributions and Transfers			
Capital Contributions	12,000	12,000	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Change in Net Position	<u>\$ 176,600</u>	<u>\$ 202,721</u>	<u>\$ 26,121</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
For the year ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Sewer Charges	\$ 545,000	\$ 552,261	\$ 7,261
Intergovernmental - Pension Paid by Others	-	806	806
Other			
Miscellaneous	200	200	-
Penalties	9,000	11,211	2,211
Total Operating Revenues	<u>554,200</u>	<u>564,478</u>	<u>10,278</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Depreciation	84,600	84,776	(176)
Employee Benefits			
Health Insurance	5,500	5,235	265
Life Insurance	-	-	-
Payroll Taxes	1,100	989	111
Retirement	2,000	5,279	(3,279)
Insurance - Workers Compensation	1,850	1,118	732
Meter Reading	-	-	-
Other			
Analysis Fee	3,500	2,405	1,095
Fuel	1,500	146	1,354
Office Expense	500	31	469
Other Operating Expense	-	1,095	(1,095)
Professional Fees	15,000	-	15,000
Repairs and Maintenance	35,000	32,817	2,183
Salaries and Wages	15,000	11,362	3,638
Supplies	9,000	5,176	3,824
Utilities	22,000	21,013	987
Total Operating Expenses	<u>200,050</u>	<u>171,442</u>	<u>28,608</u>
Operating Income (Loss)	<u>354,150</u>	<u>393,036</u>	<u>38,886</u>
Nonoperating Revenues (Expenses)			
Interest Income	800	803	3
Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>800</u>	<u>803</u>	<u>3</u>
Income (Loss) Before Transfers	<u>354,950</u>	<u>393,839</u>	<u>38,889</u>
Transfers			
Operating Transfers In	-	-	-
Change in Net Position	<u>\$ 354,950</u>	<u>\$ 393,839</u>	<u>\$ 38,889</u>

See independent auditor's report.

Schedule 16

**Town of Kentwood
Schedule of Sewer Rates
Proprietary Fund Type
For the year ended December 31, 2018**

Sewer	
Residential Rates	Commercial Rates
\$ 45.00 - Flat Monthly Rate	\$ 65.00 Commercial Rate 1 - Flat Monthly Rate
	275.00 Commercial Rate 2 (Schools) - Flat Rate
	650.00 Commercial Rate 3 (Nursing Home) - Flat Rate
	45.00 Commercial Rate 4 (Churches) - Flat Rate
Water	
Residential Rates	Commercial Rates
\$ 47.00 - Flat Monthly Rate	\$ 47.00 Commercial Rate 2 - First 5,000 Gallons (Flat Fee)
	0.75 Per 1,000 Gallons for next 55,000 Gallons
	0.65 Per 1,000 Gallons for next 180,000 Gallons
	0.50 Per 1,000 Gallons for next 260,000 Gallons
	0.40 Per 1,000 Gallons after 500,000 Gallons
	162.00 Commercial Rate 2 (Schools) - Flat Rate
	47.00 Commercial Rate 4 (Churches) - Flat Rate
Gas	
Residential Rates	Commercial Rates
\$ 18.00 - First 5,000 Cubic Feet (Flat Fee)	\$ 18.00 - First 5,000 Cubic Feet (Flat Fee)
1.75 - Per 1,000 Cubic Feet after 5,000	1.75 - Per 1,000 Cubic Feet after 5,000
Industrial Rates	
\$ 148.65 - First 55,000 Gallons (Flat Fee)	
1.50 - Per 1,000 Gallons for next 180,000 Gallons	
1.150 - Per 1,000 Gallons for next 260,000 Gallons	
0.80 - Per 1,000 Gallons after 500,000 Gallons	

See independent auditor's report.

Schedule 17

**Town of Kentwood
Schedule of Number of Sewer, Water and Gas Customers
Proprietary Fund Type
For the year ended December 31, 2018**

	Residential	Commercial	Total
Sewer	746	104	850
Water	861	143	1,004
Gas	366	60	426

See independent auditor's report.

Schedule 18

Town of Kentwood
Schedule of Gas Sales and Purchases
Proprietary Fund Type - Gas Utility System
As of December 31, 2018 and 2017

	Enterprise Funds	
	2018	2017
Gas Sales and Purchases		
Gas Sales		
Volume mcf (Thousand Cubic Feet)	44,305	39,344
Dollar Amount	\$ 593,253	\$ 459,029
Cost of Gas Sold		
Volume mcf (Thousand Cubic Feet)	52,042	45,509
Dollar Amount	\$ 199,277	\$ 172,027
Gross Profit	\$ 393,976	\$ 287,002
Gross Profit Percentage of Sales	66%	63%
Unaccounted for Gas Purchases		
Volume mcf (Thousand Cubic Feet)	7,737	6,165
Average Cost of Unaccounted for Gas	\$ 29,626	\$ 23,304
Percentage of Purchases	15%	14%
Number of Customers at Year End		
In Service, Industrial	2	2
In Service, Other	424	431
Total	426	433
Average Sales Per Customer		
Volume mcf (Thousand Cubic Feet)	104	91
Dollar Amount	\$ 1,393	\$ 1,060
Average Sales Per Thousand Cubic Feet		
Gas Sales, Industrial	\$ 5.99	\$ 6.31
Gas Sales, Other	\$ 21.18	\$ 16.79
Gas Sales	\$ 13.39	\$ 11.67
Gas Purchases	\$ -3.83	\$ -3.78
Subtotal	\$ 9.56	\$ 7.89
Unaccounted for Gas Purchases	\$ -0.57	\$ -0.51
Gross Profit	\$ 8.99	\$ 7.38

See independent auditor's report.

Schedule 19

**Town of Kentwood
Schedule of Insurance
For the year ended December 31, 2018**

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Risk Management Agency 100-0518-16656	General Liability	\$ 500,000	3/20/2018 to 3/20/2019
	Commercial Automobile	500,000	
	Public Officials Professional Liability	500,000	
	Police Professional Liability	500,000	
Western Surety Company 18272062	Position Schedule	425,000	6/20/2018 to 6/20/2019
Risk Management Agency RK07998A17	Commercial Property Coverages, as scheduled	1,893,500	3/7/2018 to 3/7/2019
Great Lakes/Lane & Assoc GLL1700096	Inland Marine	74,777	12/1/2018 to 12/1/2019
Risk Management Agency 70-0392-14915	Workers Compensation at Statutory Limitations		11/19/2018 to 11/19/2019
Foremost Insurance Group 444-0019223612	Commercial Mobile Home Policy	250,000	7/13/2018 to 7/13/2019
Lloyd's/Lane & Associates LMA1700049	Auto Physical Damage	260,806	4/15/2018 to 4/15/2019

See independent auditor's report.

Schedule 20

**Town of Kentwood
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2018**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Irma T. Gordon, Mayor (985) 514-0785	P.O. Box 454 Kentwood, LA 70444	\$ 36,991
Irma Clines, Council Member (985) 229-4038	701 Fisher Lane Kentwood, LA 70444	6,500
Mike Hall, Council Member (985) 229-1929	P.O. Box 643 Kentwood, LA 70444	6,500
Gary Callihan, Council Member (985) 969-3540	406 Miller Drive Kentwood, LA 70444	6,500
Terrell Hookfin, Council Member (985) 514-9950	1100 Pear Street Kentwood, LA 70444	6,500
Paul Stewart, Council Member (985) 229-4096	501 Avenue F Kentwood, LA 70444	6,500
		<u>\$ 69,491</u>

Terms end December 31, 2018 for Board Members

See independent auditor's report.

Schedule 21

Town of Kentwood
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2018

Agency Head Name: Irma Gordon, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 36,991
Benefits-Retirement	5,040
Employer Paid Medicare & Social Security	2,802
Registration Fees	35
Conference Travel	1,322
Travel (Lodging & Per Diem)	242
Mileage	489
Special Meals	8
Telephone Reimbursement	728
	<u>\$ 47,657</u>

See independent auditor's report.

Financial Data Schedules

**Required by the U.S. Department of Housing and Urban
Development**

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2018

<u>Line</u>	<u>Account Description</u>	<u>Housing Choice Voucher Program 14.871</u>
Assets:		
Current Assets:		
Cash:		
111	Cash - unrestricted	\$ -
112	Cash - restricted - modernization and dev	-
113	Cash - other restricted	10,294
114	Cash - tenant security deposits	-
115	Cash - restricted for payment of current liabilities	6,262
100	Total Cash	<u>16,556</u>
Accounts and notes receivables		
121	Accounts receivable - PHA projects	-
122	Accounts receivable - HUD other projects	-
124	Accounts receivable - other government	-
125	Accounts receivable - miscellaneous	-
126	Accounts receivable - tenants - dwelling rents	-
126.1	Allowance for doubtful accounts - dwelling rents	-
126.2	Allowance for doubtful accounts - other	-
127	Notes, loans, and mortgages receivable - current	-
128	Fraud recovery	-
128.1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowances for uncollectible	<u>-</u>
Current Investments		
131	Investments - unrestricted	-
132	Investments - restricted	-
135	Investments - restricted for payment of current liabilities	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143.1	Allowance for obsolete inventories	-
144	Interprogram due from	-
145	Assets held for sale	-
150	Total Current Assets	<u>16,556</u>
Noncurrent Assets:		
Fixed Assets		
161	Land	-
162	Buildings	-
163	Furniture, equipment, and machinery - dwellings	-
164	Furniture, equipment, and machinery - administration	10,741
165	Leasehold improvements	-
166	Accumulated depreciation	(10,741)
167	Construction in progress	-
160	Total Fixed Assets, net of Accumulated Depreciation	<u>-</u>
171	Notes, loans, and mortgages receivable - non current	-
172	Notes, loans, and mortgages receivable - non current - past due	-
173	Grants receivable - non current	-
174	Other assets	-
176	Investments in joint ventures	-
180	Total Noncurrent Assets	<u>-</u>
190	Total Assets	<u>\$ 16,556</u>

(Continued)

See independent auditor's report.

Schedule 22 (Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2018

Line	Account Description	Housing Choice Voucher Program 14.871
Liabilities and Equity:		
Liabilities:		
Current Liabilities:		
311	Bank Overdraft	\$ -
312	Accounts payable less than or equal to 90 days	-
313	Accounts payable greater than 90 days	-
321	Accrued wage / payroll taxes payable	-
322	Accrued compensated absences - current portion	-
324	Accrued contingency liability	-
325	Accrued interest payable	-
331	Accounts payable - HUD PHA programs	-
332	Accounts payable - PHA projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342	Deferred revenues	-
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	-
344	Current portion of long-term debt - operating borrowings	-
345	Other current liabilities	(6,262)
346	Accrued liabilities - other	-
347	Interprogram due to	-
348	Loan liability - current	-
310	Total Current Liabilities	<u>(6,262)</u>
Noncurrent Liabilities		
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	-
352	Long-term debt, net of current - operating borrowings	-
353	Noncurrent liabilities - other	-
354	Accrued compensated absences - noncurrent	-
355	Loan liability - noncurrent	-
356	FASB 5 Liabilities	-
357	Accrued pension and OPEB liabilities	-
350	Total noncurrent liabilities	<u>-</u>
300	Total Liabilities	<u>(6,262)</u>
400	Deferred Inflow of Resources	<u>-</u>
Equity		
508.1	Invested in Capital Assets, Net of Related Debt	-
511.1	Restricted Net Assets	(4,229)
512	Undesignated Fund Balance/Retained Earnings	-
512.1	Unrestricted Net Assets	<u>(6,065)</u>
513	Total Equity / Net Assets	<u>(10,294)</u>
600	Total Liabilities and Equity / Net Assets	\$ <u>(16,556)</u>

(Continued)

See independent auditor's report.

Schedule 22 (Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2018

<u>Line</u>	<u>Account Description</u>	<u>Housing Choice Voucher Program 14.871</u>
Revenue:		
70300	Net tenant rental revenue	\$ -
70400	Tenant revenue - other	-
70500	Total Tenant Revenue	<u>-</u>
70600	HUD PHA operating grants	369,311
70610	Capital grants	-
70800	Other government grants	-
71100	Investment income - Unrestricted	181
71200	Mortgage interest income	-
71300	Proceeds from disposition of assets held for sale	-
71310	Cost of sale of assets	-
71400	Fraud recovery	550
71500	Other revenue	2,761
71600	Gain / loss on sale of fixed assets	-
72000	Investment income - restricted	<u>-</u>
70000	Total Revenue	<u><u>372,803</u></u>
Expenses		
Administrative		
91100	Administrative Salaries	37,201
91200	Auditing Fees	-
91300	Management Fee	-
91310	Book-keeping Fee	3,600
91400	Advertising and Marketing	-
91500	Employee benefit contributions - administrative	17,141
91600	Office Expenses	-
91700	Legal Expense	-
91800	Travel	-
91900	Other	1,208
91000	Total Operating Administrative	<u>59,150</u>
92000	Asset Management Fee	-
Tenant Services:		
92100	Tenant services - salaries	-
92200	Relocation costs	-
92300	Employee benefit contributions - tenant services	-
92400	Tenant services - other	<u>-</u>
92500	Total Tenant Services	<u>-</u>
Utilities		
93100	Water	-
93200	Electricity	-
93300	Gas	-
93400	Fuel	-
93500	Labor	-
93600	Sewer	-
93700	Employee benefit contributions - utilities	-
93800	Other utilities expense	<u>-</u>
93000	Total Utilities	<u>-</u>
Ordinary Maintenance and Operation:		
94100	Ordinary maintenance and operations - labor	-
94200	Ordinary maintenance and operations - materials and other	-
94300	Ordinary maintenance and operations - contract costs	-
94500	Employee benefit contributions - ordinary maintenance	<u>-</u>
94000	Total Maintenance	<u>-</u>

(Continued)

See independent auditor's report.

Schedule 22 (Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2018

<u>Line</u>	<u>Account Description</u>	<u>Housing Choice Voucher Program 14.871</u>
	Protective Services:	
95100	Protective services - labor	-
95200	Protective services - other contract costs	-
95300	Protective services - other	-
95500	Employee benefit contributions - protective services	-
95000	Total Protective Services	<u>-</u>
	General Expenses:	
96110	Property insurance	-
96120	Liability insurance	-
96130	Workmen's compensation	221
96140	All other insurance	-
96100	Total Insurance Premiums	<u>221</u>
96500	Bad debt - mortgages	-
96600	Bad debt - other	-
96710	Interest expense	-
96800	Severance expense	-
96000	Total Other General Expenses	-
96900	Total Operating Expenses	<u>59,371</u>
97000	Excess Operating Revenue over Operating Expenses	<u>313,432</u>
	Other Expenses:	
97100	Extraordinary maintenance	-
97200	Casualty losses - non-capitalized	-
97300	Housing assistance payments	324,390
97350	HAP portability-in	2,520
97400	Depreciation expense	-
97500	Fraud losses	-
97800	Dwelling units rent expense	-
90000	Total Expenses	<u>386,281</u>
	Other Financing Sources (Uses)	
10010	Operating transfers in	-
10020	Operating transfers out	-
10030	Operating transfers from/to primary government	-
10040	Operating transfers from/to component unit	-
10070	Extraordinary items (net gain/loss)	-
10080	Special items (net gain/loss)	-
10093	Transfers between program and project-in	17,549
10094	Transfers between program and project-out	-
10100	Total Other Financing Sources (Uses)	<u>17,549</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ 4,071</u>
	Memo Account Information	
11020	Required Annual Debt Principal Payments	-
11030	Beginning Equity	6,223
11040	Prior period adjustments, equity transfers and correction of errors	-
11170	Administrative fee equity	6,065
11180	Housing assistance payments equity	4,229
11190	Unit months available	828
11210	Number of unit month's leased	777

(Concluded)

See independent auditor's report.

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@huntbrothers.net

Member
AICPA

Member
LCPA

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

To the Honorable Mayor Rochelle Bates
And Members of the Board (Town Council)
Kentwood, LA 70444

I 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, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kentwood, Louisiana's basic financial statements and have issued our report thereon dated September 14, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Kentwood, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kentwood, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Kentwood, Louisiana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I

consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001, 2018-002, 2018-003, and 2018-004 to be material weaknesses.

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. I consider the deficiencies described in the accompany schedule of findings and questioned responses as items 2018-005 to be significant deficiencies.

Compliance and Other Matters

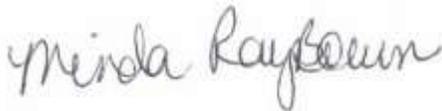
As part of obtaining reasonable assurance about whether the Town of Kentwood, Louisiana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned responses as item 2018-006.

Town of Kentwood, Louisiana's Response to Findings

Town of Kentwood, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Kentwood, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Minda Raybourn, CPA
Franklinton, LA
September 14, 2019

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to the financial statements noted? X Yes No

Was a management letter issued? Yes X No

Federal Awards

There were no major programs for the Town for the fiscal year ended December 31, 2018.

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

Finding 2018-001 Lack of Internal Controls Over Credit Cards (Material Weakness)

Criteria: Adequately designed and operating internal controls over financial reporting provides for adequate documentation to support transactions and to allow for proper review and approval of transactions including disbursements. When processing payments of credit cards, supporting documentation should be attached (original receipt or invoice) with the statement. Documentation of each charge should include the business purpose (such as print out of conference itinerary to support travel charges or approval to purchase supply items such as a purchase order). Lack of documentation exposes the Town to fraud and misappropriation of resources.

Condition: A review of the credit card expenditures revealed the following charges were not supported by a receipt or invoice:

Date	Charge	Amount
1/2/18	Enterprise Rent-a-Car	\$668.10
3/4/18	Embassy Suites	\$119.70
3/4/18	Embassy Suites	\$119.70
4/4/18	Harbor Freight Tools	\$ 96.07
4/4/18	Ink Toner Store	\$ 38.90
4/9/18	Lowes	\$141.90
6/30/18	Walmart	\$ 71.76
	Grand Total	\$1,256.13

The rental car charge was reimbursed by the Mayor to the Town on 1/12/18. The two hotel charges were for the Louisiana Municipal Association mid-winter conference in February 2018. However, no employee names or support were provided for the two charges. The charge from Harbor Freight Tools was for paper grabbers for the maintenance department; no receipt was provided. The charge from the Ink Toner Store was for printer ink; no receipt was provided. No receipts were provided for the charges from Lowes and Walmart.

Cause: The Town has policies and procedures in place regarding credit cards. These include the use, tracking and recordkeeping of the cards. They were not followed during the year.

Effect: Lack of adequate documentation demonstrates the inadequacy of the Town’s internal control over disbursements. Lack of proper documentation over disbursement exposes the Town to possible fraud and misappropriation of assets.

Recommendation: The Town has policies and procedures regarding credit cards including usage and recordkeeping. Management need to ensure adequate controls over credit cards are being implemented. Management should require itemized receipts for all credit card charges on the monthly statement and the business purpose of each charge must be clearly documented.

Management’s Response: The Town has policies and procedures regarding credit cards including usage and record keeping. Management will ensure that policies and procedures are being adhered to and that

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

adequate controls over credit cards are being implemented. Management will require itemized receipts for all credit card charges on the monthly statement and the business purpose of each charge will be clearly documented.

Finding 2018-002 Misuse of Credit Cards (Material Weakness)

Criteria: Adequately designed and operating internal controls over financial reporting provides for adequate documentation to support transactions and to allow for proper review and approval of transactions including disbursements. When processing payments of credit cards, supporting documentation should be attached (original receipt or invoice) with the statement. Documentation of each charge should include the business purpose (such as print out of conference itinerary to support travel charges or approval to purchase supply items such as a purchase order). Lack of documentation exposes the Town to fraud and misappropriation of resources. Adequately designed and operating internal controls provides for the safeguarding of any credit cards in a secure location when not in a use.

Condition: On May 15, 2019, I received allegations from the Louisiana Legislative Auditor that the Town's credit cards were being used for personal reasons by the Mayor.

It was alleged that the Mayor was using the card to rent multiple cars for personal use. In the documentation given to me, there was one credit card charge from Enterprise Rent-a-Car for \$668 on January 2, 2018. The Mayor reimbursed the Town on January 12, 2018 for the charge. I inspected the documents provided as well as all of the 2018 credit card charges on the statements. I did not see any other charges for rental cars.

Cause: The Mayor stated that the Town credit card was used by mistake.

Effect: The lack of safeguards over credit cards exposes the Town to misappropriation of assets.

Recommendation: When the credit card is not in use, the card needs to be safeguarded in a secure locked location. The Town's policy states that the municipal clerk is to keep the cards locked when not in use. This needs to be enforced.

Management's Response: When credit cards are not in use the cards will be safeguarded in a secure locked location. The Town's policy states that the municipal clerk is to keep the cards locked when not in use. Management will ensure that policies and procedures are being adhered to and enforced.

Finding 2018-003 Misuse of Credit Cards (Material Weakness)

Criteria: Adequately designed and operating internal controls over financial reporting provides for adequate documentation to support transactions and to allow for proper review and approval of transactions including disbursements. When processing payments of credit cards, supporting documentation should be attached (original receipt or invoice) with the statement. Documentation of each charge should include the business purpose (such as print out of conference itinerary to support

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

travel charges or approval to purchase supply items such as a purchase order). Lack of documentation exposes the Town to fraud and misappropriation of resources. Adequately designed and operating internal controls provides for the safeguarding of any credit cards in a secure location when not in a use.

Condition: On May 15, 2019, I received allegations form the Louisiana Legislative Auditor that the Town’s credit cards were being used for personal reasons by the Chief of Police.

I inspected the documents provided as well as all of the 2018 credit card charges on the statements. The following charges were on the September 4, 2017 statement:

Date	Description	Charge Amount
8/13/2017	Market Max, Kentwood, LA	4.39
8/13/2017	Dollar General, Kentwood, LA	8.25
8/14/2017	Walmart, Pineville, LA	25.09
8/14/2017	Walmart, Pineville, LA	103.36
8/15/2017	Louisiana Association	290.00
8/17/2017	Red River Seafood, Pineville, LA	18.19
8/17/2017	Outlaws BBQ, Pineville, LA	10.35
8/19/2017	Jerusalem Mediterranean, Pineville, LA	15.76
8/20/2017	China Buffet, Pineville, LA	13.80
8/25/2017	Walmart, Pineville, LA	38.32
8/25/2017	Outlaws BBQ, Pineville, LA	6.28
8/20/2017	Walmart, Pineville, LA	47.72

The charge of \$103.36 on August 14, 2017 from Walmart included the purchase of articles of clothing. The charge of \$25.09 on August 14, 2017 and the charge of \$47.72 on August 20, 2017 from Walmart included food items. There was no documentation available as to what the business purpose of the meals was for.

The Town had a significant deficiency (finding 2017-001) regarding lack of internal controls over credit cards. Since that time, the card for the Chief of Police was revoked. No charged occurred in 2018 on this card.

A subsequent conversation with the Chief of Police revealed that these charges were from an officer who was approved to attend DARE Officer Training Course in Pineville, Louisiana from August 14-25, 2017. The charge “Louisiana Association” was from the Louisiana Association of Chiefs of Police was for this conference which included registration and a conference shirt. The Chief provided me a copy of this invoice. The Chief also provided me a copy of the officer’s certificate of completion at the course. The officer was issued the card to pay for expenses while at the course. The charge for Dollar General was for motor oil for his old police unit. The Market Max was food to save on meals. When he got to Pineville, he discovered he did not have to wear his police uniforms for training and it was approved for him to purchase some basic clothing. The other charges were for supplies required by the course. The meal charges were at restaurants while attending the course. The Chief stated that the receipts that were not turned in where deducted from the officer’s payroll check.

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

The Chief also disputed that his card was revoked. The card is in the possession of the municipal clerk.

Cause: The Town has weak controls over the use of credit cards.

Effect: The lack of safeguards over credit cards exposes the Town to misappropriation of assets. Lack of adequate documentation demonstrates the inadequacy of the Town's internal control over disbursements. Lack of proper documentation over disbursement exposes the Town to possible fraud and misappropriation of assets.

Recommendation: When the credit card is not in use, the card needs to be safeguarded in a secure locked location. The Town's policy states that the municipal clerk is to keep the cards locked when not in use. This needs to be enforced.

The Town has policies and procedures regarding credit cards including usage and recordkeeping. Management need to ensure adequate controls over credit cards are being implemented. Management should require itemized receipts for all credit card charges on the monthly statement and the business purpose of each charge must be clearly documented.

Management's Response: When credit cards are not in use the cards will be safeguarded in a secure locked location. The Town's policy states that the municipal clerk is to keep the cards locked when not in use. Management will ensure that policies and procedures are being adhered to and enforced.

Additional Response from Chief of Police: Mr. Bruce Harrell, CPA suggested to me that I respond to the above audit finding related to an allegation that I had used the Town's credit card for personal reasons, and that you had not been provided the documentation for the listed charges, and that the Police Chief's credit card had been revoked.

Attached is the invoice for the \$290.00 fee for my attendance at the Louisiana Association of Chiefs of Police Conference in Houma, LA. These conferences are approved in the Police Department Annual Budget. A copy of this conference invoice was provided to the Clerk's Office and should have been available for you.

The other charges listed in your finding were made by Officer Eric Andrews, who was approved to attend DARE Officer Training Course in Pineville, LA from August 14-25, 2017. He was issued the Police Department credit card to pay for his expenses while at the course. He was told to bring back documentation of his charges. Some of the invoices were presented but not paid by the Clerk. Prior to leaving Kentwood on August 13th, he purchased motor oil for his old police unit at Dollar General, and food at Market Max to save on his meals. He also purchased incidental food items at Wal-Mart in Pineville, LA to save on meal costs. When he got to the training seminar, he found out he didn't have to wear his police uniforms to the training, so I approved him purchasing some basic comfortable clothing for the 10 days he was at the school. Some of the other charges were supplies required for the course. Some of the charges were for meals at restaurants and were less than what the Town would have reimbursed him on a per diem daily meal fee. When Officer Andrews returned without receipts, the unallowable charges were deducted from his paychecks.

The Police Department's Credit Card has not been revoked. It was returned to the Town's Clerk Office, and I submit authorizations with documentation before any charges are made.

Hopefully, this satisfies you that the Police Department Credit Card is not used for my personal use, and this finding can be resolved, and if possibly removed from the Town's Audit Report.

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

Finding 2018-004 Allegations of Payroll Fraud (Material Weakness)

Criteria: Internal controls should be adequately designed so that payroll expenditures are appropriately approved and documented.

Condition: On May 15, 2019, I received an allegation from the Louisiana Legislative Auditor that for the majority of the year 2018 the municipal clerk was not physically present at Town Hall. Instead, it was alleged that she was working from a location in Texas and receiving full salary and benefits without proof that she was performing the job duties as a full time employee.

I inspected all time sheets and vacation and sick leave documents. All were approved by the Mayor. Payroll disbursements reflected hours work worked per the time sheets. Leave paid was reflected back to the vacation or sick time documents.

I inquired with the Mayor regarding the circumstances with the allegation. She stated that the clerk was going through severe medical problems. Documentation from the clerk's physicians were provided to the Mayor. The documentation provided stated that the clerk should not be working at the office but could work from home. The Mayor and the clerk agreed the clerk could work from home by remoting into the Town's computer system. The Mayor questioned whether the Town could keep her on as a paid employee while not physically present at the office. Legal advice was obtained from various sources and the consensus on this was as long as the work was getting done, no town personnel policies were being violated, and town documentation was not in jeopardy, that the Town could pay her from working from home.

I also inquired with the clerk. She stated that she had a home in Texas. She had family in Texas that helped her through her medical problems. She stated that she kept in touch with the Mayor and the council with progress on her work.

The issue was brought before the town council on July 16, 2018. The council went into executive session. The council voted that as long as the work was getting accomplished, then the Town would continue to employ her full time with pay. The Mayor stated the work did get done with the help of the other clerks.

Cause: The Town had no employment policies in place regarding employees working from home. While the Town council approved the continuing employment of the clerk from her home in Texas, there were no stipulations that written documentation of progress be provided on a timely basis.

Effect: Without adequate payroll policies and procedures in place, the Town is at risk of misappropriation of resources.

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

Recommendation: The Town needs to strengthen its payroll policies and procedures by implementing policies regarding employees working from home or outside of the office.

Management's Response: The Town will strengthen its payroll policies and procedures by implementing policies regarding employees working from home or outside of the office, which will require prior approval by the Mayor before any employee performs work duties from home or outside the office. The Mayor will be aware in advance of duties to be performed once request is approved.

Finding 2018-005 Internal Controls Over Fuel Cards (Significant Deficiency)

Criteria: Adequately designed and operating internal controls over financial reporting provides for adequate documentation to support transactions and to allow for proper review and approval of transactions including disbursements. Adequately designed controls over fuel cards require that management review the card statements to ensure that the number of gallons received, miles traveled, and miles per gallon are reasonable

Condition: I reviewed the fuel card statements for the months of January 2018 through April 2018. There was no indication that the fuel exception reports were reviewed. Several vehicles had no odometer readings entered to calculate mileage. On some months, the mileage entered was erratic. For example, in March 2018, one car when from 130,137 to 171,444 to 33,621 and then to 21,634. This caused the fuel statement to reflect incorrect miles per gallon and cost per mile. In other instances, several of the cars registered 6 to 13 miles per gallon.

Cause: The Town has a lack of internal controls over fuel cards.

Effect: Lack of internal controls over fuel cards could cause misappropriation of Town resources.

Recommendation: Management needs to review the fuel exception reports each month. Each month, the fuel statement needs to be reviewed for each vehicle's mileage per gallons purchased for reasonableness. In addition, management needs to consider the possibility of requiring the use of vehicle logs.

Management Response: The Town Clerk will review the fuel exception reports each month. The Town Clerk will also review the fuel statement for each vehicle's mileage per gallon's purchased for reasonableness. In addition, Management will consider the possibility of requiring the use of vehicle logs.

Response from Chief of Police: I am not sure if you are referring to the Police Department, but there are two units whose digital odometers are inoperable, and the cost to repair is more than the value of the units. Police units are different from other vehicles because many times the units sit and idle for up to four to five hours depending on the situation, and the patrolling around at slow speed severely reduces gas mileage. I highly scrutinize and monitor the monthly fuel reports by matching the unit with officer on duty purchasing fuel and the gallons purchased.

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2018

Finding 2018-006 Late Submittal of Audit Report (Noncompliance)

Criteria: Per Louisiana state audit law, annual financial reports are due not later than six months after the close of the fiscal year.

Condition: The audit report was submitted in September 2019.

Cause: The Town's accounting was not finalized until June 2019.

Effect: The Town was not in compliance with the state audit deadline.

Recommendation: The Town should ensure its accounting is ready in a timely manner so that the audit can be completed by the deadline.

Management Response: The Town will ensure that its staff and CPA prepare financial documents in a timely manner to ensure the audit will be completed by the deadline.

Town of Kentwood, Louisiana
Schedule of Prior Year Findings and Responses
As of and for the Year Ended December 31, 2017

Findings related to the Financial Statements

Finding 2017-001 Credit Cards

Criteria: When processing payments of credit cards, supporting documentation should be attached (original receipt or invoice) with the statement. Documentation of each charge should include the business purpose (such as print out of conference itinerary to support travel charges or approval to purchase supply items such as a purchase order).

Condition: The credit card disbursement I tested revealed the Town has two credit cards. Inspection of the disbursement revealed that charges for one card did not have any receipts or other documentation attached to the credit card statement. The other card had some but not all receipts. Upon requests, copies of the remaining receipts were provided. One credit card had meal charges for which there was no documentation as to what the meal was about or who was at the meal. On both cards, there were hotel charges for which the hotel receipt was provided. The hotel charges were for a conference but documentation on the conference was not attached.

Cause: Unknown

Effect: Without proper documentation to support each credit card charge, improper payment of the charges will occur.

Recommendation: The Town needs to put in place policies and procedures requiring documentation to support credit card charges before the statement is paid.

Management's Response: Effective immediately, the Town has put in place written policies and procedures to require proper approval and documentation to support the purpose of credit card charges.

Status: Unresolved.

Finding 2017-002 Budget Compliance

Criteria: State law requires that the general fund and all special revenue funds have actual revenues and other sources within five percent of budgeted revenues and other sources. (La. R.S. 39:1311).

Condition: In the recreation ad valorem fund, revenues and other sources were less than five percent of budgeted revenues and other sources.

Town of Kentwood, Louisiana
Schedule of Prior Year Findings and Responses
As of and for the Year Ended December 31, 2017

Cause: During the yearly budget process, the bond proceeds were included in the recreation ad valorem fund. However, after research by Town management, the proceeds were included in the recreation capital projects fund.

Effect: The effect was noncompliance with the Local Government Budget Act.

Recommendation: The Town needs to ensure special revenue funds are in compliance with the budget act.

Management's Response: The Town will continue to monitor the budget and actual comparisons on all funds during the fiscal year to ensure compliance with the Local Government Budget Act.

Status: Resolved.

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@huntbrothers.com

Member
AICPA

Member
LCPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Aldermen
Of the Town of Kentwood, LA
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Kentwood, Louisiana (Entity) 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 January 1, 2018 through December 31, 2018. The Entity's management 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

- 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.
- c) **Disbursements**, including processing, reviewing, and approving
- 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).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- 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)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town has policies and procedures for all the above categories and subcategories.

Board or Finance Committee

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.

The board meets each month.

- 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.*

The minutes do not reference monthly budget-to-actual comparisons.

- 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.

The general fund had a positive unrestricted fund balance in the prior year.

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 selected each account, and observe that:

A listing of bank accounts and management's representation were obtained.

- 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);
No exceptions noted.
 - 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

A member of management and a board member did not initial an date the bank reconciliation.

- 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.

Management does not have documentation that is has researched items that have been outstanding for more than 6 months at the end of the fiscal year.

Collections

- 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).
- 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:

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

The employees that are responsible for cash collections do not share cash drawers.

- 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.

At times, the employees responsible for collecting cash will prepare and make the bank deposits. Another employee is responsible for reconciling collection documentation to the deposit.

- 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.

The external account reconciles general ledger postings and to the deposit.

- 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.

The external accountant reconciles collections to the general ledger by revenue source.

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

The Town has bond coverage.

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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted for a) through e).

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

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).

A listing of locations that process payments and management’s representation were obtained.

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.

An employee can initiate a purchase request, the department head will approve the purchase order, and the employee can order or make the purchase after approval.

- b) At least two employees are involved in processing and approving payments to vendors.

The municipal clerk processes the payments to vendors. The mayor or a board member will approve.

- 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.

The municipal clerk can add or modify vendor files once the addition of a new vendor is approved by the Mayor.

- 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.

Signed checks are kept in the municipal clerk's office and are mailed the next business day.

- 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.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There was no approval by management on the disbursements tested.

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

- 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.

A listing of active cards and management's representation were obtained.

- 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.)]

The statements were not reviewed and approved for payment.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Finance charges in the amount of \$59.76 were assessed.

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).

The following credit card charges did not have any original receipts attached to support the business purpose of the charge:

Date	Charge	Amount
1/2/18	Enterprise Rent-a-Car	\$668.10
3/4/18	Embassy Suites	\$119.70
3/4/18	Embassy Suites	\$119.70
4/4/18	Harbor Freight Tools	\$ 96.07
4/4/18	Ink Toner Store	\$ 38.90
4/9/18	Lowes	\$141.90
6/30/18	Walmart	\$ 71.76
	Grand Total	\$1,256.13

There was one charge for a rental car that was reimbursed by the Mayor in amount of \$668.10.

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

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 list of travel and travel-related reimbursements and management's representation were obtained.

- 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).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- 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 (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

None of the reimbursements were approved by management.

Contracts

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 is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of contracts and management's representation were obtained.

- 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.

No exceptions noted.

- 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).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- 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.

No exceptions noted.

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.

A listing of employees and management's representation were obtained.

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.

c) 0 exceptions noted.

d) 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/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

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

No exceptions noted.

Ethics

20. Using the 5 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.

No exceptions noted.

- 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.

There were no signature verifications available.

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.

The town had no bonds or notes issued.

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.

No exceptions noted.

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.

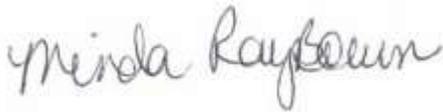
No exceptions noted.

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.

No exceptions noted.

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.

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA

September 14, 2019