

CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Kirk Champagne, Mayor,
and Members of the City Council
City of Kaplan, Louisiana

Report on the Financial Statements

We 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 City of Kaplan, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2017, 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 budgetary comparison information, the schedules of employer's share of net pension liabilities, and the schedules of employer contributions on pages 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan, Louisiana's basic financial statements. The other supplementary information on pages 57 through 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2017 on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kaplan, Louisiana's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 1, 2017

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 1,142,228	\$ 2,805,365	\$ 3,947,593
Receivables, net	24,814	952,495	977,309
Due from other governmental units	122,037	-	122,037
Restricted assets:			
Cash and interest-bearing deposits	-	669,179	669,179
Capital assets:			
Non-depreciable	114,547	179,309	293,856
Depreciable, net	<u>8,814,836</u>	<u>10,860,416</u>	<u>19,675,252</u>
Total assets	<u>10,218,462</u>	<u>15,466,764</u>	<u>25,685,226</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>436,869</u>	<u>218,064</u>	<u>654,933</u>
LIABILITIES			
Accounts and other payables	85,533	389,444	474,977
Compensated absences payable	8,841	-	8,841
Internal balances	(14,969)	14,969	-
Customer deposits payable	-	381,870	381,870
Accrued interest	9,481	5,353	14,834
Long-term liabilities:			
Due within one year	104,000	122,000	226,000
Due in more than one year	944,000	1,137,000	2,081,000
Net pension liability	<u>1,096,099</u>	<u>531,464</u>	<u>1,627,563</u>
Total liabilities	<u>2,232,985</u>	<u>2,582,100</u>	<u>4,815,085</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>103,734</u>	<u>22,414</u>	<u>126,148</u>
NET POSITION			
Net investment in capital assets	7,881,383	9,780,725	17,662,108
Restricted for:			
Debt service	135,022	281,956	416,978
Sales tax dedications	531,625	-	531,625
Unrestricted	<u>(229,418)</u>	<u>3,017,633</u>	<u>2,788,215</u>
Total net position	<u>\$ 8,318,612</u>	<u>\$ 13,080,314</u>	<u>\$ 21,398,926</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2017

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,066,413	\$ 206,129	\$ 131,160	\$ 95,000	\$ (634,124)	\$ -	\$ (634,124)
Public safety:							
Police	898,033	36,099	88,650	-	(773,284)	-	(773,284)
Fire	445,566	-	68,632	-	(376,934)	-	(376,934)
Streets	440,555	-	-	-	(440,555)	-	(440,555)
Culture and recreation	103,629	-	-	-	(103,629)	-	(103,629)
Interest on long-term debt	30,826	-	-	-	(30,826)	-	(30,826)
Total governmental activities	<u>2,985,022</u>	<u>242,228</u>	<u>288,442</u>	<u>95,000</u>	<u>(2,359,352)</u>	<u>-</u>	<u>(2,359,352)</u>
Business-type activities:							
Electric	3,388,654	5,003,539	-	-	-	1,614,885	1,614,885
Gas	816,943	456,041	-	-	-	(360,902)	(360,902)
Water	562,019	488,072	-	-	-	(73,947)	(73,947)
Sewerage	667,672	477,736	-	-	-	(189,936)	(189,936)
Interest on long-term debt	48,160	-	-	-	-	(48,160)	(48,160)
Total business-type activities	<u>5,483,448</u>	<u>6,425,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>941,940</u>	<u>941,940</u>
Total	<u>\$ 8,468,470</u>	<u>\$ 6,667,616</u>	<u>\$ 288,442</u>	<u>\$ 95,000</u>	<u>(2,359,352)</u>	<u>941,940</u>	<u>(1,417,412)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					78,419	-	78,419
Property taxes, levied for bond retirement					112,026	-	112,026
Sales and use taxes, levied for general purposes					627,066	-	627,066
Franchise taxes					27,633	-	27,633
Beer taxes					10,106	-	10,106
Interest and investment earnings					450	11,261	11,711
Miscellaneous					29,796	25,911	55,707
Nonemployer pension contribution					36,807	15,787	52,594
Transfers					1,601,522	(1,601,522)	-
Total general revenues and transfers					<u>2,523,825</u>	<u>(1,548,563)</u>	<u>975,262</u>
Change in net position					164,473	(606,623)	(442,150)
Net position, beginning					8,154,139	13,686,937	21,841,076
Net position, ending					<u>\$ 8,318,612</u>	<u>\$ 13,080,314</u>	<u>\$ 21,398,926</u>

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

FUND FINANCIAL STATEMENTS (FFS)

CITY OF KAPLAN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 29,984	\$ 468,354	\$ 208,033	\$ 706,371
Receivables:				
Due from other funds	56,268	100	3,244	59,612
Due from other governmental entities	14,625	107,412	-	122,037
Accrued interest receivable	-	263	97	360
Other receivables	10,292	-	-	10,292
Total assets	<u>\$ 111,169</u>	<u>\$ 576,129</u>	<u>\$ 211,374</u>	<u>\$ 898,672</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 52,934	\$ 19,503	\$ 2,752	\$ 75,189
Salaries payable	9,420	-	-	9,420
Compensated absences payable	8,841	-	-	8,841
Due to other funds	11,942	25,001	600	37,543
Total liabilities	<u>83,137</u>	<u>44,504</u>	<u>3,352</u>	<u>130,993</u>
Fund balances:				
Restricted	-	531,625	144,503	676,128
Assigned	-	-	63,519	63,519
Unassigned	28,032	-	-	28,032
Total fund balances	<u>28,032</u>	<u>531,625</u>	<u>208,022</u>	<u>767,679</u>
Total liabilities and fund balances	<u>\$ 111,169</u>	<u>\$ 576,129</u>	<u>\$ 211,374</u>	<u>\$ 898,672</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds		\$ 767,679
Capital assets net		8,929,383
Long-term liabilities:		
Bonds payable	(1,048,000)	
Net pension liability	(1,096,099)	
Accrued interest payable	<u>(9,481)</u>	(2,153,580)
Deferred outflows of resources related to net pension liability		436,869
Deferred inflows of resources related to net pension liability		(103,734)
Net position of the internal service fund		<u>441,995</u>
Total net position of governmental activities		<u>\$ 8,318,612</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2017

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 78,419	\$ 627,066	\$ 112,026	\$ 817,511
Licenses and permits	206,129	-	-	206,129
Intergovernmental	324,916	-	68,632	393,548
Fines and forfeits	31,986	-	4,113	36,099
Interest income	18	337	95	450
Miscellaneous	55,649	-	1,780	57,429
Total revenues	<u>697,117</u>	<u>627,403</u>	<u>186,646</u>	<u>1,511,166</u>
Expenditures:				
Current -				
General government	743,867	259,931	33	1,003,831
Public safety:				
Police	905,972	-	7,088	913,060
Fire	283,586	-	65,201	348,787
Streets, bridges, and drainage	418,415	-	-	418,415
Culture and recreation	36,802	-	-	36,802
Capital outlay	357,890	280,947	11,228	650,065
Debt service -				
Principal retirement	-	-	99,000	99,000
Interest and fiscal charges	-	-	31,802	31,802
Total expenditures	<u>2,746,532</u>	<u>540,878</u>	<u>214,352</u>	<u>3,501,762</u>
(Deficiency) excess of revenues over expenditures	<u>(2,049,415)</u>	<u>86,525</u>	<u>(27,706)</u>	<u>(1,990,596)</u>
Other financing sources (uses):				
Transfers in	1,936,873	-	-	1,936,873
Transfers out	-	(335,351)	-	(335,351)
Total other financing sources (uses)	<u>1,936,873</u>	<u>(335,351)</u>	<u>-</u>	<u>1,601,522</u>
Net change in fund balances	(112,542)	(248,826)	(27,706)	(389,074)
Fund balances, beginning	<u>140,574</u>	<u>780,451</u>	<u>235,728</u>	<u>1,156,753</u>
Fund balances, ending	<u>\$ 28,032</u>	<u>\$ 531,625</u>	<u>\$ 208,022</u>	<u>\$ 767,679</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2017

Net change in fund balances of governmental funds			\$ (389,074)
Capital assets:			
Capital outlay	\$ 650,065		
Depreciation expense	<u>(287,193)</u>	362,872	
Principal payments on long term debt			99,000
Change in accrued interest payable			976
Net revenue (expense) of the internal service fund			118,000
The effect of the change in net pension liability and deferred outflows/inflows of resources:			
Increase in pension expense	(64,108)		
Nonemployer pension contribution revenue recognized	<u>36,807</u>	<u>(27,301)</u>	
Change in net position of governmental activities			<u>\$ 164,473</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2017

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 2,805,365	\$ 435,857
Receivables:		
Accounts, net	490,310	-
Unbilled utility receivables	455,575	-
Accrued interest receivable	2,904	920
Due from other funds	9,099	-
Other	<u>3,706</u>	<u>13,242</u>
Total current assets	<u>3,766,959</u>	<u>450,019</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	669,179	-
Capital assets, net of accumulated depreciation	<u>11,039,725</u>	<u>-</u>
Total noncurrent assets	<u>11,708,904</u>	<u>-</u>
Total assets	<u>15,475,863</u>	<u>450,019</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	<u>218,064</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Cash overdraft	-	-
Accounts payable	384,566	-
Salaries payable	4,878	-
Claims payable	-	924
Due to other funds	24,068	7,100
Payable from restricted assets -		
Revenue bonds	122,000	-
Accrued interest payable	<u>5,353</u>	<u>-</u>
Total current liabilities	<u>540,865</u>	<u>8,024</u>
Noncurrent liabilities:		
Customers' deposits payable	381,870	-
Revenue bonds	1,137,000	-
Net pension liability	<u>531,464</u>	<u>-</u>
Total noncurrent liabilities	<u>2,050,334</u>	<u>-</u>
Total liabilities	<u>2,591,199</u>	<u>8,024</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	<u>22,414</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	9,780,725	-
Restricted for debt service	281,956	-
Unrestricted	<u>3,017,633</u>	<u>441,995</u>
Total net position	<u>\$ 13,080,314</u>	<u>\$ 441,995</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2017

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Charges for services	\$ 6,425,388	\$ 311,995
Operating expenses:		
Electricity department expenses	3,332,467	-
Gas department expenses	753,839	-
Water department expenses	424,141	-
Sewerage department expenses	332,486	-
Depreciation expense	592,355	-
Self insurance expenses	-	195,190
Total operating expenses	<u>5,435,288</u>	<u>195,190</u>
Operating income	<u>990,100</u>	<u>116,805</u>
Nonoperating revenues (expenses):		
Interest income	11,261	1,195
Franchise fee	25,911	-
Interest expense	(48,160)	-
Nonemployer pension contribution	15,787	-
Total nonoperating revenues (expenses)	<u>4,799</u>	<u>1,195</u>
Income before transfers	994,899	118,000
Transfers in	335,351	-
Transfers out	<u>(1,936,873)</u>	<u>-</u>
Change in net position	(606,623)	118,000
Net position, beginning	<u>13,686,937</u>	<u>323,995</u>
Net position, ending	<u>\$ 13,080,314</u>	<u>\$ 441,995</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2017

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Receipts from customers	\$ 6,532,372	\$ -
Receipts from insured	-	301,638
Payments to suppliers	(4,045,852)	(290,826)
Payments to employees	<u>(733,341)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,753,179</u>	<u>10,812</u>
Cash flows from noncapital financing activities:		
Franchise fees	25,911	-
Cash paid to other funds	(699)	-
Meter deposits, net of refunds	4,174	-
Transfers from other funds	335,351	-
Transfers to other funds	(1,936,873)	-
Decrease in cash overdraft	<u>-</u>	<u>(12,603)</u>
Net cash used by noncapital financing activities	<u>(1,572,136)</u>	<u>(12,603)</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds and notes	(117,000)	-
Interest and fiscal charges paid on bonds	(48,160)	-
Acquisition of capital assets	<u>(123,792)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(288,952)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds of interest-bearing deposits with maturity in excess of ninety days	2,363,329	435,092
Purchase of interest-bearing deposits with maturity in excess of ninety days	(2,362,491)	(435,092)
Interest on investments	<u>11,261</u>	<u>2,556</u>
Net cash provided by investing activities	<u>12,099</u>	<u>2,556</u>
Net change in cash and cash equivalents	(95,810)	765
Cash and cash equivalents, beginning of period	<u>1,207,863</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 1,112,053</u>	<u>\$ 765</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2017

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 990,100	\$ 116,805
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for net pension liability	42,114	
Depreciation	592,355	-
(Increase) decrease in current assets		
Accounts receivable, net	88,395	-
Unbilled utility receivables	18,589	-
Stop loss receivable	-	(10,357)
Increase (decrease) in current liabilities		
Accounts payable	26,648	-
Salaries payable	(5,022)	-
Claims payable	-	(95,636)
Net cash provided by operating activities	<u>\$ 1,753,179</u>	<u>\$ 10,812</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:		
Cash and cash equivalents, beginning of period -		
Cash and interest-bearing deposits - unrestricted	\$ 2,938,909	\$ 435,092
Cash and interest-bearing deposits - restricted	632,283	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,363,329)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,207,863</u>	<u>-</u>
Cash and cash equivalents, end of period -		
Cash and interest-bearing deposits - unrestricted	2,805,365	435,857
Cash and interest-bearing deposits - restricted	669,179	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,362,491)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,112,053</u>	<u>765</u>
Net change	<u>\$ (95,810)</u>	<u>\$ 765</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the City of Kaplan (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City of Kaplan was incorporated in 1902 under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety, police, fire, civil defense, highways and streets, sanitation, culture – recreation, public improvements, planning and zoning, and general administrative services.

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a State or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are not met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the foregoing criteria, the City has no component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities displays information about the City of Kaplan, the reporting government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's internal service fund is a governmental activity. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the City.

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

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The major funds of the City are described below:

Governmental Funds –

General Fund

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Sales Tax Fund

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

Proprietary Fund –

Utility Fund

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

In addition, the City reports the following:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City's internal service fund is the Self Insurance Fund. The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal services funds are consolidated into the governmental column when presented in the government-wide financial statements.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

To the extent possible, the cost of these services is reported in the appropriate functional activity. This proprietary fund is reported with governmental activities in the government-wide statements.

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

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

Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City on September 1 and are actually billed to taxpayers in November. The taxes are generally collected in December of the current year and January and February of the subsequent year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Program revenues

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

Allocation of indirect expenses

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statements of net position, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the City. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (3) for additional disclosures.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer’s utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicated the uncollectibility of the particular receivable. Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 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. Prior to July 1, 2001, governmental funds’ infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5-30 years
Utility system and improvements	25 years
Infrastructure	20-50 years

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Sick leave vests only upon retirement, therefore an accrual is made only when an employee is eligible for retirement. Amounts are accrued when incurred in proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it.

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. Employees of the City earn vacation when they are hired and it is based upon the number of years of full-time service and varies from 5 to 15 days per year. Vacation leave cannot carryover to the following year.

Employees of the City earn paid time off, instead of overtime pay at a rate of time and a half which is based on the employee's hourly rate, up to a maximum of 240 hours. Amounts are payable on demand and therefore are recorded as a liability when earned. The amount is attributable to the governmental activities.

Restricted Assets

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

Long-term debt

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Equity Classification

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

In the fund statements, governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

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

Committed – amounts that can be spent only for specific purposes determined by a formal action of the council members. The council is the highest level

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by council members.

Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Only council members or the City’s finance committee may assign amounts for specific purposes.

Unassigned – all other amounts not included in other spendable classifications.

Fund balances are composed of the following:

	General Fund	Sales Tax Fund	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Restricted:			
Tax dedications	\$ -	\$ 531,625	\$ -
Debt service	-	-	144,503
Assigned - public safety	-	-	63,519
Unassigned	<u>28,032</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>\$ 28,032</u>	 <u>\$ 531,625</u>	 <u>\$ 208,022</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Council members or the finance committee has provided otherwise in its commitment or assignment actions.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 2
Electricity, gas, water and sewer revenue	Debt service and utility operations

The City uses unrestricted resources only when restricted resources are fully depleted.

G. Use of Estimates

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

(2) Dedication of Proceeds and Flow of Funds – Sales and Use Tax Levies

Proceeds of the one percent sales and use tax levied by the City are dedicated to the following purposes:

- a. Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works,

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

buildings, improvements and facilities, title to which improvements shall be in the public.

- b. Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

(3) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The City may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount.

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

Bank balances	<u>\$ 4,687,558</u>
Deposits are secured as follows:	
Federal deposit insurance	1,500,000
Uninsured and collateral held by the pledging bank, not in the City's name	<u>3,187,558</u>
Total	<u>\$ 4,687,558</u>

(4) Receivables

The aging of the accounts receivable in the enterprise fund is as follows:

Current	\$ 482,485
31 - 60 days	5,578
60 - 90 days	1,139
Over 90 days	171,526
Less allowances for uncollectible accounts	<u>(170,418)</u>
Total	<u>\$ 490,310</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(5) Restricted Assets – Enterprise Fund

Restricted assets were applicable to the following:

Customers' deposits	\$ 381,870
Bond sinking fund account	38,185
Bond reserve fund	172,252
Bond renewal and replacement fund	<u>76,872</u>
 Total restricted assets	 <u>\$ 669,179</u>

(6) Capital Assets

Capital asset activity was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Construction in progress	1,036,714	-	1,036,714	-
Other capital assets:				
Buildings	2,967,627	27,878	-	2,995,505
Infrastructure	10,656,624	1,415,105	-	12,071,729
Equipment, furniture and fixtures	2,318,961	243,796	-	2,562,757
Totals	<u>17,094,473</u>	<u>1,686,779</u>	<u>1,036,714</u>	<u>17,744,538</u>
Less accumulated depreciation				
Buildings	975,667	78,779	-	1,054,446
Infrastructure	5,586,831	73,933	-	5,660,764
Equipment, furniture and fixtures	1,965,464	134,481	-	2,099,945
Total accumulated depreciation	<u>8,527,962</u>	<u>287,193</u>	<u>-</u>	<u>8,815,155</u>
Governmental activities, capital assets, net	<u>\$ 8,566,511</u>	<u>\$ 1,399,586</u>	<u>\$ 1,036,714</u>	<u>\$ 8,929,383</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Construction in progress	-	-	-	-
Other capital assets:				
Buildings and systems	23,249,012	14,472	-	23,263,484
Machinery and equipment	751,204	-	-	751,204
Automobiles	291,170	109,320	-	400,490
Total other capital assets	<u>24,470,695</u>	<u>123,792</u>	<u>-</u>	<u>24,594,487</u>
Less accumulated depreciation				
Buildings and systems	12,209,437	529,613	-	12,739,050
Machinery and equipment	579,846	26,136	-	605,982
Automobiles	173,124	36,606	-	209,730
Total accumulated depreciation	<u>12,962,407</u>	<u>592,355</u>	<u>-</u>	<u>13,554,762</u>
Business-type activities, capital assets, net	<u>\$ 11,508,288</u>	<u>\$ (468,563)</u>	<u>\$ -</u>	<u>\$ 11,039,725</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 68,885
Police	36,216
Fire	80,938
Streets	34,327
Recreation	66,827
Total depreciation expense	<u>\$287,193</u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 56,187
Gas	63,104
Water	137,878
Sewer	335,186
Total depreciation expense	<u>\$592,355</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(7) Changes in Long-Term Debt

The following is a summary of long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable -					
General Obligation					
Bonds, Series 2005	\$ 198,000	\$ -	\$ (46,000)	\$ 152,000	\$ 48,000
General Obligation					
Bonds, Series 2015	<u>949,000</u>	<u>-</u>	<u>(53,000)</u>	<u>896,000</u>	<u>56,000</u>
Total governmental activities	<u>\$ 1,147,000</u>	<u>\$ -</u>	<u>\$ (99,000)</u>	<u>\$ 1,048,000</u>	<u>\$ 104,000</u>
Business-type activities:					
Utilities Revenue					
Refunding Bonds, Series 2011	<u>\$ 1,376,000</u>	<u>\$ -</u>	<u>\$ (117,000)</u>	<u>\$ 1,259,000</u>	<u>\$ 122,000</u>

Bonds payable are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$550,000 General Obligation Bonds, Series 2005, for the purpose of resurfacing and improving city streets, due in annual installments of \$23,000 to \$53,000 through March 1, 2020; at an interest rate of 4.15% (to be retired from the proceeds of ad valorem taxes)	\$ 152,000
\$1,000,000 General Obligation Bonds, Series 2015, due in annual installments of \$51,000 to \$84,000 through March 1, 2030; at interest rates of 2.00% to 2.75% (to be retired from the proceeds of ad valorem taxes)	<u>896,000</u>
Total general obligation bonds	<u>\$ 1,048,000</u>

Revenue Bonds:

\$1,849,000 Utilities Revenue Refunding Bonds, Series 2011, due in annual installments of \$42,000 to \$160,000 through June 1, 2026; interest rate of 3.5% (to be retired from operation of combined waterworks system, electric distribution system, sewerage system and natural gas transmission and distribution system)	<u>\$ 1,259,000</u>
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CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2018	\$ 104,000	\$ 28,834	\$ 122,000	\$ 44,066	\$ 298,900
2019	108,000	25,722	126,000	39,796	299,518
2020	112,000	22,466	130,000	35,386	299,852
2021	61,000	19,086	135,000	30,836	245,922
2022	63,000	17,560	139,000	26,110	245,670
2023 - 2027	355,000	62,596	607,000	54,042	1,078,638
2028 - 2030	245,000	13,614	-	-	258,614
	<u>\$ 1,048,000</u>	<u>\$ 189,878</u>	<u>\$ 1,259,000</u>	<u>\$ 230,236</u>	<u>\$ 2,727,114</u>

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions for the year ended June 30, 2017.

(8) Flows of Funds; Restrictions on Use – Utilities Revenues

Under the terms of the loan and pledge agreements with Iberia Bank, all revenues derived from the operation of the utilities system shall be deposited into an account designated as the City of Kaplan Utilities Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

- a. The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- b. Each month there shall be set aside into the Utilities Revenue Bond Sinking Fund on or before the 20th day of each month a sum equal to the principal and interest accruing on said debt obligations for such month payable from the Sinking Fund together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due.
- c. The Reserve Fund is to be maintained solely for the purpose of paying the principal of and interest on bonds payable from the Debt Service Fund. The Reserve Fund is required to be funded to a sum equal to the lesser of (1) 10% of the proceeds of the bonds and any issue of Parity Obligations, (2) one half of the maximum scheduled principal and interest requirements for any succeeding calendar year on the Bonds and any Parity Obligations, or (3) 125% of the average annual principal and interest requirements on the Bonds and any issue of Parity Obligations. Pursuant to the Bond Ordinance the Issuer, is to retain in the Reserve Fund an amount equal to the Reserve Fund Requirement, which upon delivery of the Bonds was \$83,033.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

- d. Funds shall be set aside into the Capital Addition and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers shall be made on or before the 20th day each month in an amount equal to a sum at least equal to five percent of the amount to be paid into the Sinking Fund, provided such sum is available after provision is made for the payments required under (a), (b), and (c) above.

All required transfers were made for the year.

(9) Employee Retirement

Substantially all City employees are covered under the Municipal Employees' Retirement System of Louisiana except firemen, who are covered under the Firefighters' Retirement System, respectively. Details concerning these plans follow:

A. Municipal Employees' Retirement System of Louisiana

Plan description: The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established by Act 356 of 1954 regular session of the Legislature of the State of Louisiana. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

The Municipal Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov.

The following is a 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.

Eligibility Requirements: 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 City are not eligible for membership in the System with exceptions as outlined in the statutes.

Retirement Benefits: Any member of Plan B, who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

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. Any age 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.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Eligibility for Retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service.
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused sick leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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.

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

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.

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

by the board of trustees. If a participant dies during 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 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: Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2016, the actual employer contribution rate was 9.50% for Plan B.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The City reported a liability of \$1,112,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 1.342332%, which was an decrease of .015978% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$180,110 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$1,844.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 9,126	\$ -
Change in assumption	55,445	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	12,284	30,850
Net differences between projected and actual earnings on plan investments	272,735	16,076
Contributions subsequent to the measurement date	<u>106,947</u>	<u>-</u>
Total	<u>\$ 456,537</u>	<u>\$ 46,926</u>

Deferred outflows of resources of \$106,947 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 72,748
2019	101,095
2020	87,893
2021	40,928
	<u>\$ 302,664</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.5%, net of investment expense
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected Remaining Service Lives	4 years for Plan B

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, 2016 are summarized in the following table:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Rate Rate of Return</u>
Public equity	50%	2.60%
Public fixed income	35%	1.80%
Alternatives	<u>15%</u>	<u>0.80%</u>
Totals	<u>100%</u>	<u>5.20%</u>
Inflation		<u>2.50%</u>
Expected Arithmetic Nominal Return		<u>7.60%</u>

The discount rate used to measure the total pension liability was 7.5%. 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 System's actuary. Based on those assumptions, System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 4 years for Plan B.

Sensitivity to Changes in the Discount Rate: The following presents MERS's net pension liability of the participating employers calculated using the discount rate of 7.5%, 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, 2016:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ 1,439,384	\$ 1,112,670	\$ 833,918

B. Firefighters Retirement System of Louisiana

Plan description: The Firefighters' Retirement System (the System) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Firefighters' Retirement System issues a stand-alone report on its financial statements. Access to the audit report can be found on the System's website www.lafirefightersret.com or on the Office of Louisiana Legislative Auditor's official website www.lla.state.la.us.

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 informational purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reasons of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits there from may become a member of System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Deferred Retirement Option Plan Benefits: 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.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefits 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 of 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 the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan: 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.

Employer Contributions: Employer contributions are actuarially determined each year. For the year ended June 30, 2016, employer and employee contributions for members above the poverty line were 27.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 29.25% and 8.0%, respectively.

Non-employer Contributions: The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2016 and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The City reported a liability of \$514,893 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportionate share was .078719%, which was an decrease of .001232% from its proportionate share measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$72,731 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, of \$802.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 20,381
Change in assumptions	4,437	143
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	27,898	58,698
Net differences between projected and actual earnings on plan investments	123,746	-
Contributions subsequent to the measurement date	<u>42,315</u>	<u>-</u>
Total	<u>\$ 198,396</u>	<u>\$ 79,222</u>

Deferred outflows of resources of \$42,315 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 19,865
2019	19,866
2020	27,639
2021	9,381
2022	1,949
2023	<u>(1,841)</u>
	<u>\$ 76,859</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the System's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability of the System as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Estimated Remaining Service Life	7 years
Actuarial Assumptions:	
Investment Rate of Return	7.5% per annum (net of fees)
Projected Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Inflation Rate	2.875% per annum
Cost of Living Adjustments	Only those previously granted

The mortality rate assumption used was set based upon an experience study performed 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. 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 the tables used would produce liability values approximating the appropriate generational mortality tables.

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. Best estimates of real rates of return for each major asset class included in the System’s target asset allocation are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Rates of Return	
		Real	Nominal
Fixed income	24%	1.85%	
Equity	58%	6.77%	
Alternatives	8%	6.67%	
Other	10%	4.30%	
Total/wighted average			5.34%
Inflation			<u>3.00%</u>
Expected Airthmetic Nominal Return			<u>8.34%</u>

The discount rate used to measure the total pension liability was 7.5%. 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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

Sensitivity to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 701,501	\$ 514,893	\$ 357,960

(10) Litigation and Claims

On January 3, 1994, the City entered into a consent judgment awarding Washington National Insurance Company \$25,988, plus attorney fees in the amount of \$6,000, plus legal interest from May 1, 1990 until paid for sums due on the group health and accident insurance policy.

In the opinion of the City's legal counsel, this judgment operates as an encumbrance against the City, although it is judicially unenforceable based on legal precedents, which have held that property, which is owned by the public and is being used for public purposes, is exempt from seizure. However, legal counsel further states that the property owned by a municipality, but which is being used in a nongovernmental, profit-making way, may be seized.

As a result of this legal opinion, no provisions have been made in the financial statements for the amount of the outstanding judgment.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(11) Compensation, Benefits, and Other Payments to Mayor

A detail of compensation, benefits, and other payments paid to Mayor Kirk Champagne follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Benefits- retirement	2,640
Car allowance	7,200
Registration fees	275
Conference travel	408
Special meals	<u>79</u>
Total	<u>\$ 34,602</u>

(12) Compensation of City Officials

A detail of compensation paid to the City Council follows:

John Carbaugh	\$ 4,200
Eva Dell Morrison	4,200
Dirk Gary	4,200
Richard Leblanc	4,200
Melissa Guidry	<u>4,200</u>
Total	<u>\$ 21,000</u>

(13) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$40,000 per individual per year of coverage provided by the program. Effective February 2017, the City discontinued its self insurance activity. Up to that date all funds of the City participated in the program and made payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. Claims liability of \$924 was reported in the Group Insurance Fund. The liability is reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Additionally, the City is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(14) Reconciliation of Claims Liabilities

	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning	\$ 96,560	\$ 14,445
Claims incurred	(3,369)	553,890
Claims payments	<u>(92,267)</u>	<u>(471,775)</u>
Unpaid claims, ending	<u>\$ 924</u>	<u>\$ 96,560</u>

Claims payable was determined as follows:

Claims incurred prior to June 30, 2017 and paid in July, 2017 and August, 2017	<u>\$ 924</u>
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(15) Interfund Transactions

Interfund balances consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 56,268	\$ 11,942
Sales Tax Fund	100	25,001
Enterprise fund	9,099	24,068
Other Governmental Funds	3,244	600
Internal service fund	<u>-</u>	<u>7,100</u>
Total	<u>\$ 68,711</u>	<u>\$ 68,711</u>

The amounts due from the General Fund to various other funds are for reimbursements owed for expenditures paid for those funds. Transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,936,873	\$ -
Sales Tax Fund	-	335,351
Enterprise fund	<u>335,351</u>	<u>1,936,873</u>
Total	<u>\$ 2,272,224</u>	<u>\$ 2,272,224</u>

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

(16) On-behalf Payments

The City has recognized \$88,650 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 77,385	\$ 77,385	\$ 78,419	\$ 1,034
Licenses and permits	172,000	225,000	206,129	(18,871)
Intergovernmental	13,500	144,500	324,916	180,416
Fines and forfeitures	22,500	26,500	31,986	5,486
Interest	-	-	18	18
Miscellaneous	63,000	91,690	55,649	(36,041)
Total revenues	<u>348,385</u>	<u>565,075</u>	<u>697,117</u>	<u>132,042</u>
Expenditures:				
Current -				
General government	668,300	893,915	743,867	150,048
Public safety:				
Police	828,900	825,350	905,972	(80,622)
Fire	269,450	285,250	283,586	1,664
Streets, bridges, and drainage	421,785	421,785	418,415	3,370
Culture and recreation	35,700	35,700	36,802	(1,102)
Capital outlay	<u>1,000,000</u>	<u>653,000</u>	<u>357,890</u>	<u>295,110</u>
Total expenditures	<u>3,224,135</u>	<u>3,115,000</u>	<u>2,746,532</u>	<u>368,468</u>
Deficiency of revenues over expenditures	<u>(2,875,750)</u>	<u>(2,549,925)</u>	<u>(2,049,415)</u>	<u>500,510</u>
Other financing sources:				
Transfers in	<u>1,875,750</u>	<u>1,935,000</u>	<u>1,936,873</u>	<u>1,873</u>
Net change in fund balance	(1,000,000)	(614,925)	(112,542)	502,383
Fund balance, beginning	<u>140,574</u>	<u>140,574</u>	<u>140,574</u>	<u>-</u>
Fund balance, ending	<u>\$ (859,426)</u>	<u>\$ (474,351)</u>	<u>\$ 28,032</u>	<u>\$ 502,383</u>

CITY OF KAPLAN, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 630,000	\$ 630,000	\$ 627,066	\$ (2,934)
Interest income	<u>1,500</u>	<u>1,500</u>	<u>337</u>	<u>(1,163)</u>
Total revenues	<u>631,500</u>	<u>631,500</u>	<u>627,403</u>	<u>(4,097)</u>
Expenditures:				
Current -				
General government	94,250	143,000	259,931	(116,931)
Capital outlay	<u>445,000</u>	<u>397,000</u>	<u>280,947</u>	<u>116,053</u>
Total expenditures	<u>539,250</u>	<u>540,000</u>	<u>540,878</u>	<u>(878)</u>
Excess of revenues over expenditures	92,250	91,500	86,525	(4,975)
Other financing uses:				
Transfers out	<u>(295,000)</u>	<u>(335,000)</u>	<u>(335,351)</u>	<u>(351)</u>
Net change in fund balance	(202,750)	(243,500)	(248,826)	(5,326)
Fund balance, beginning	<u>780,451</u>	<u>780,451</u>	<u>780,451</u>	<u>-</u>
Fund balance, ending	<u>\$ 577,701</u>	<u>\$ 536,951</u>	<u>\$ 531,625</u>	<u>\$ (5,326)</u>

CITY OF KAPLAN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

- a. The City Clerk prepares a proposed budget for the fiscal year and submits it to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
- b. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- c. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d. 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 a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
- e. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Council.
- f. All budgetary appropriations lapse at the end of each fiscal year.
- g. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Council.

The Sales Tax Fund reported excess expenditures over appropriations.

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2017

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.322423%	\$ 620,873	\$ 935,008	66.4%	76.94%
2016	1.358310%	\$ 923,171	\$ 957,477	96.4%	68.71%
2017	1.342332%	\$ 1,112,670	\$ 986,226	112.8%	63.34%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2017

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 90,960	\$ 90,960	\$ -	\$ 957,477	9.50%
2016	\$ 93,691	\$ 93,691	\$ -	\$ 986,226	9.50%
2017	\$ 106,255	\$ 106,255	\$ -	\$ 965,953	11.00%

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
 Firefighters' Retirement Sysyem
 For the Year Ended June 30, 2017

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.072949%	\$ 324,617	\$ 163,526	198.5%	76.02%
2016	0.079951%	\$ 431,505	\$ 167,637	257.4%	72.45%
2017	0.078719%	\$ 514,893	\$ 174,878	294.4%	68.16%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
 Firefighters' Retirement System
 For the Year Ended June 30, 2017

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 49,034	\$ 49,034	\$ -	\$ 167,637	29.25%
2016	\$ 51,152	\$ 51,152	\$ -	\$ 174,878	29.25%
2017	\$ 42,315	\$ 42,315	\$ -	\$ 161,044	26.28%

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

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fire Protection Fund -

To account for monies received from the Vermilion Parish Police Jury to defray costs of the fire department.

Police Special Fund -

To account for monies received from a 15% dedication of court fines received by the General Fund and used to defray costs of the police department.

Capital Projects Fund

To account for capital improvements within the City. Improvements are funded by federal grants and general fund monies.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General Obligation Bonds Series 2005 and 2015

To accumulate monies for the General Obligation Bonds, Series 2005 and Series 2015 issued in the amounts of \$550,000 and \$1,000,000, respectively. Debt service is financed by specifically dedicated ad valorem tax levies.

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
	<u>Fire Protection Fund</u>	<u>Police Special Fund</u>	<u>General Obligation Bonds Fund</u>		
ASSETS					
Cash and interest -bearing deposits	\$ 47,349	\$ 16,091	\$ 144,493	\$ 100	\$ 208,033
Due from other funds	3,244	-	-	-	3,244
Accrued interest receivable	<u>87</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>97</u>
Total assets	<u>\$ 50,680</u>	<u>\$ 16,091</u>	<u>\$ 144,503</u>	<u>\$ 100</u>	<u>\$ 211,374</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,752	\$ -	\$ -	\$ -	\$ 2,752
Due to other funds	<u>-</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>600</u>
Total liabilities	<u>2,752</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>3,352</u>
Fund balances:					
Restricted	-	-	144,503	-	144,503
Assigned	<u>47,928</u>	<u>15,591</u>	<u>-</u>	<u>-</u>	<u>63,519</u>
Total fund balances	<u>47,928</u>	<u>15,591</u>	<u>144,503</u>	<u>-</u>	<u>208,022</u>
Total liabilities and fund balances	<u>\$ 50,680</u>	<u>\$ 16,091</u>	<u>\$ 144,503</u>	<u>\$ 100</u>	<u>\$ 211,374</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2017

	Special Revenue		Debt Service		Totals
	Fire Protection Fund	Police Special Fund	General Obligation Bonds Fund	Capital Projects Fund	
Revenues:					
Taxes	\$ -	\$ -	\$ 112,026	\$ -	\$ 112,026
Intergovernmental	68,632	-	-	-	68,632
Fines and forfeits	-	4,113	-	-	4,113
Interest income	-	-	95	-	95
Miscellaneous	1,780	-	-	-	1,780
Total revenues	<u>70,412</u>	<u>4,113</u>	<u>112,121</u>	<u>-</u>	<u>186,646</u>
Expenditures:					
General government	-	-	33	-	33
Public safety -					
Police	-	7,088	-	-	7,088
Fire	65,201	-	-	-	65,201
Capital outlay	-	11,228	-	-	11,228
Debt service -					
Principal retirement	-	-	99,000	-	99,000
Interest and fiscal charges	-	-	31,802	-	31,802
Total expenditures	<u>65,201</u>	<u>18,316</u>	<u>130,835</u>	<u>-</u>	<u>214,352</u>
Excess (deficiency) of revenues over expenditures	5,211	(14,203)	(18,714)	-	(27,706)
Fund balances, beginning	<u>42,717</u>	<u>29,794</u>	<u>163,217</u>	<u>-</u>	<u>235,728</u>
Fund balances, ending	<u>\$ 47,928</u>	<u>\$ 15,591</u>	<u>\$ 144,503</u>	<u>\$ -</u>	<u>\$ 208,022</u>

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers and Rates
June 30, 2017 and 2016

Records maintained by the City indicated the following number of customers were being serviced during the month of June 30, 2017 and 2016.

Department	2017	2016
Electric (metered)	2,398	2,413
Gas (metered)	1,620	1,653
Water (metered)	2,390	2,402
Sewerage	2,186	2,197

The monthly water rates of the City are as follows:

Residential (minimum charge)	\$8.00
Additional gallons in excess of 2000	\$1.75 per 1000 gallons
Commercial (minimum charge)	\$13.50
Additional gallons in excess of 4000	\$1.75 per 1000 gallons
Industrial (minimum charge)	\$135.00
Additional gallons in excess of 40000	\$1.75 per 1000 gallons

The monthly sewer rates of the City are as follows:

Residential (minimum charge)	\$10.00
Additional gallons in excess of 2000	\$2.00 per 1000 gallons
Commercial (minimum charge)	\$12.00
Additional gallons in excess of 2000	\$1.85 per 1000 gallons
Industrial (minimum charge)	\$25.00
Additional gallons in excess of 2000	\$2.25 per 1000 gallons

CITY OF KAPLAN, LOUISIANA

Enterprise Fund

Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2017 and 2016

	Electricity		Gas		Water		Sewerage		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Operating revenues:										
Customers service charges	<u>\$5,003,539</u>	<u>\$4,985,011</u>	<u>\$ 456,041</u>	<u>\$470,712</u>	<u>\$488,072</u>	<u>\$472,158</u>	<u>\$ 477,736</u>	<u>\$ 479,940</u>	<u>\$6,425,388</u>	<u>\$6,407,821</u>
Operating expenses:										
Salaries	199,082	196,049	126,649	126,170	116,753	119,714	90,618	87,451	533,102	529,384
Benefit payments:										
Payroll taxes	14,850	14,753	9,377	8,857	8,655	8,902	6,687	6,400	39,569	38,912
Retirement	39,369	5,284	23,842	3,827	17,447	2,655	12,539	2,397	93,197	14,163
Insurance - Employees	35,900	35,265	29,017	24,335	24,105	20,942	20,565	22,149	109,587	102,691
Insurance	53,678	51,224	38,544	33,138	31,685	27,776	17,527	21,026	141,434	133,164
Electricity and gas purchased	2,879,287	2,952,683	196,648	199,972	-	-	-	-	3,075,935	3,152,655
Operating supplies	6,056	5,290	8,745	7,373	57,580	39,500	23,173	13,745	95,554	65,908
Office expenses	10,320	11,144	2,380	1,769	1,418	1,612	989	2,028	15,107	16,553
Professional fees	246	103	8,148	740	6,051	1,866	8,427	4,899	22,872	7,608
Repairs and maintenance	53,777	94,609	219,626	59,359	74,650	36,585	84,619	58,407	432,672	248,960
Telephone and utilities	2,477	2,536	785	679	79,405	86,581	61,399	62,202	144,066	151,998
Bad debt expense	13,859	15,332	1,153	594	1,177	1,127	1,222	1,154	17,411	18,207
Depreciation	56,187	54,134	63,104	63,678	137,878	137,794	335,186	336,063	592,355	591,669
Miscellaneous	<u>23,566</u>	<u>30,610</u>	<u>88,925</u>	<u>8,056</u>	<u>5,215</u>	<u>7,184</u>	<u>4,721</u>	<u>7,952</u>	<u>122,427</u>	<u>53,802</u>
Total operating expenses	<u>3,388,654</u>	<u>3,469,016</u>	<u>816,943</u>	<u>538,547</u>	<u>562,019</u>	<u>492,238</u>	<u>667,672</u>	<u>625,873</u>	<u>5,435,288</u>	<u>5,125,674</u>
Net operating income (loss)	<u>\$1,614,885</u>	<u>\$1,515,995</u>	<u>\$(360,902)</u>	<u>\$(67,835)</u>	<u>\$(73,947)</u>	<u>\$(20,080)</u>	<u>\$(189,936)</u>	<u>\$(145,933)</u>	<u>\$ 990,100</u>	<u>\$1,282,147</u>

INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

The Honorable Kirk Champagne, Mayor
and Members of the City Council
City of Kaplan, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2017-003 and 2017-004.

City of Kaplan, Louisiana's Response to Findings

City of Kaplan, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. City of Kaplan, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 1, 2017

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended June 30, 2017

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Accounting Functions

CONDITION: The City of Kaplan did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the City does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Kirk Champagne, Mayor, has hired another employee to reassign some of the accounting duties.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2017

2017-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The City of Kaplan does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU-C §265.A37 identifies the following as a deficiency in the design of (internal) controls:

"... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements."

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Kirk Champagne, Mayor has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

B. Compliance and other matters

2017-003 Budget noncompliance

CONDITION: The original and final amended budget of the General Fund projected that expenditures would exceed revenues resulting in a deficit fund balance.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2017

CRITERIA: LSA-RS 39:1305 et seq, Budget Preparation, provides for the following:

“E. The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year.”

CAUSE: The condition is a result of failure to properly adopt and amend the budget of the City.

EFFECT: The City may over expend available resources resulting in an inability to pay obligated expenditures and economic or financial hardship for the City, its employees, vendors, and citizens.

RECOMMENDATION: The City should adopt a balanced budget ensuring that proposed expenditures do not exceed available resources.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The beginning fund balance for the General Fund was not properly carried forward when planning the 2016-17 fiscal budget. The budget deficiency was the result of an inaccurate fund balance being used in the calculations of the proposed budget. Mayor Kirk Champagne and Christine Trahan, City Clerk, will monitor the preparation of the budget more closely to ensure accuracy of information carried forward from prior periods.

2017-004 Malfeasance in office and felony theft

CONDITION: In September 2017, the City of Kaplan Chief of Police was arrested on charges of malfeasance in office and felony theft.

CRITERIA: La. R.S. 14:67(A) states, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

La. R.S. 14:134(A) provides that, “Malfeasance in office is committed when any public officer or public employee shall: (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or (2) Intentionally perform any such duty in an unlawful manner; or (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner.”

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2017

La. R.S. 42:1461(A) states that, "Officials, whether elected or appointed and whether compensated or not, and employees of any 'public entity,' which, for purposes of this section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or any other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed."

CAUSE: As noted in the Louisiana Legislative Auditor's investigative report, "in January 2015, Kaplan Mayor Kirk Champagne was notified that Kaplan Police Chief Boyd Adams was using a checking account titled 'Kaplan Police Recreation account' (Recreation account). The City subsequently entered into an agreed-upon procedures engagement with its regular external auditor to review the transactions of the Recreation account. In a report dated June 15, 2015, the City's external auditor confirmed that the Recreation account was not previously included in the financial records of the City. Following the publication of the external auditor's report, the District Attorney for the 15th Judicial District requested the Louisiana Legislative Auditor review the use of the Recreation Account."

The Louisiana Legislative Auditor's investigative report cited the following issues:

1. Personal Use of Police Department Funds
2. Performance of Work Details May Violate the Code of Governmental Ethics
3. Bank Accounts Not Disclosed to City or Included in City's Financial Statements
4. Failure to Disclose Off-Duty Security Details to Workers' Compensation Insurer
5. Professional Services Ordered Without Authorization
6. Missing Evidence Drop-Box Log

The full investigative report and detail of each issue above may be found on the Louisiana Legislative Auditor's website at www.lila.la.gov.

EFFECT: Failure to have adequate controls over cash may have resulted in misappropriation of cash.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2017

RECOMMENDATION: The City needs to ensure that policies and procedures are in place to adequately address controls over cash.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mayor Kirk Champagne and Christine Trahan, City Clerk, have taken steps to ensure that all monies collected at the Kaplan Police Department are deposited to City of Kaplan accounts, which are then reconciled, audited, and included in the financial statements of the City of Kaplan. All disbursements are initiated through computerized accounting software of the City of Kaplan once proper documentation is verified.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2016-001 Inadequate Segregation of Functions

CONDITION: The City of Kaplan did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2017-001.

2016-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The City of Kaplan does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2017-002.

2016-003 Policies and procedures for utility bills

CONDITION: The City has no formal adopted written policies and procedures regarding delinquent accounts and when adjustments to utility bills should be made.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2017

RECOMMENDATION: Management needs to adopt formal written policies and procedures that should be followed for every utility customer including employee and elected official accounts. Policies need to address when adjustments should be made to a utility bill (preferably only when extenuating circumstances arise), the level of approval to be required for an adjustment to be made, when to issue disconnect notices, and when to disconnect a service. In addition, Council should get a list of adjustments for review monthly.

CURRENT STATUS: Resolved.

2016-004 Inadequate controls over Cash Management

CONDITION: Several years ago, the Kaplan Police Department opened a bank account, under the name of the Kaplan Police Recreation using the City's federal tax Id number. The clerk, mayor, and council were not aware of the existence of the account. Therefore, none of the transactions from the account were being managed, reconciled, or audited with the City's financial statements. During examination of activity in the account, it was noted that there was inadequate controls over cash and lack of supporting documentation.

RECOMMENDATION: Management should ensure that all disbursements and receipts of the police department account are included in the books and records of the municipality; under the same system of internal controls and that all disbursements and receipts comply with the appropriate Louisiana Law.

CURRENT STATUS: Resolved.

B. Compliance

2016-005 Budget noncompliance

CONDITION: Expenditures of the General Fund exceeded budgeted expenditures by more than 5%.

RECOMMENDATION: The City should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to comply with state statute.

CURRENT STATUS: Resolved.

CITY OF KAPLAN
Kaplan, Louisiana

Agreed-Upon Procedures Report

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Retired

Conrad O. Chapman, CPA* 2006

The Honorable Kirk Champagne, Mayor
and Members of City Council
City of Kaplan, and The Louisiana
Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of the City of Kaplan (City) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the City's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the City is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed 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.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

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

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

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

- c) **Disbursements**, including processing, reviewing, and approving.

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

- d) **Receipts**, including receiving, recording, and preparing deposits.

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

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

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

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained; however, they do not address the following: (2) actions to be taken if an ethics violation takes place and (3) system to monitor possible ethics violations.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and do not address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Minutes made no reference to monthly budget-to-actual comparisons.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Minutes made no reference to monthly budget-to-actual comparisons; therefore, we are unable to test this item.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

For at least one meeting during the fiscal period, the minutes referenced non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Obtained bank statements and reconciliations for all months in the fiscal period noting evidence of management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Not applicable.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

In 1 of the 2 locations tested, the person responsible for collecting cash, also deposits the cash in the bank.

In 1 of the 2 locations tested, the person responsible for collecting cash, also records the deposit.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

In 1 of the 2 locations tested, the person responsible for collecting cash, also reconciles cash collections to the general ledger.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

In 1 of the 2 locations tested, deposits were not made within one day of collection. The number of days after collection varied.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and address the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

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

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete.

Listing of disbursements and management’s representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were initiated using a purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the 25 disbursements selected and found appropriate approval of purchase orders.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements and found all payments were processed with proper approval, receiving report and approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Written policies and procedures were obtained and do not address the functions noted above.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is in a locked location and persons without signature authority do not have access to those checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Inquired of management, no exceptions noted.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

Listing was obtained and randomly selected one-third of the City's cards.

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]]

Monthly statements were obtained and address the functions noted above.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges or fees were noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

No exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of travel and expense reimbursements by person and management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained and amounts listed do not exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Written policies state that mileage reimbursement will be paid in accordance with the mileage allowance authorized in the State of Louisiana's Travel Guide. The Travel Guide states mileage reimbursement at \$.51 a mile. The City is reimbursing at \$.535 cents a mile.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions noted.

- c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.

Obtained listing of all contracts in effect and management’s representation that the listing is complete.

- 21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

No noncompliance noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

One contract was amended to adjust the cost of the project down to actual for materials not used for \$24,615.88.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No noncompliance noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There were two contracts that were not board approved.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained a listing of employees

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

All scheduled debt service payments were made and debt reserves were maintained as required by debt covenants.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The millages collected exceeded debt service payment by more than 10%.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notices were posted on the entity's premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 1, 2017