

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

**Financial Report
Year Ended June 30, 2017**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Krotz Springs, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Krotz Springs, Louisiana, as of June 30, 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 required supplementary information on pages 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Krotz Springs, Louisiana's basic financial statements. The other supplementary information on pages 62 through 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, except for the schedule of insurance in force and the schedule of compensation, benefits, and other payments to agency head or chief executive officer, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the portion marked 'unaudited' on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the Town of Krotz Springs, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Krotz Springs, Louisiana's internal control over financial reporting and compliance.

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

Breaux Bridge, Louisiana
December 12, 2017

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,125,621	\$ 811,860	\$ 1,937,481
Investments	740,424	1,193,276	1,933,700
Receivables, (net of allowance for uncollectibles)	15,033	46,354	61,387
Due from other governments	49,614	-	49,614
Internal balances	(28,424)	28,424	-
Restricted assets	-	122,171	122,171
Prepaid expenses	29,975	21,308	51,283
Capital assets (net)	2,228,533	1,396,098	3,624,631
<u>Total assets</u>	4,160,776	3,619,491	7,780,267
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	130,492	71,740	202,232
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	20,195	13,127	33,322
Due to restricted account	-	3,348	3,348
Payable from restricted assets	-	103,464	103,464
Long-term liabilities			
Due within one year	1,061	-	1,061
Due in more than one year	25,329	9,986	35,315
Net pension liability	196,820	147,734	344,554
<u>Total liabilities</u>	243,405	277,659	521,064
<u>DEFERRED INFLOWS OF RESOURCES</u>	10,205	12,383	22,588
<u>NET POSITION</u>			
Net investment in capital assets	2,228,533	1,396,098	3,624,631
Restricted for customer deposits	-	18,707	18,707
Unrestricted	1,809,125	1,986,384	3,795,509
<u>Total net position</u>	\$ 4,037,658	\$ 3,401,189	\$ 7,438,847

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>FUNCTIONS / PROGRAMS</u>							
Governmental Activities							
General government	\$ 525,449	\$ 16,387	\$ -	\$ -	\$ (509,062)	\$ -	\$ (509,062)
Public safety	535,505	241,268	-	-	(294,237)	-	(294,237)
Public works	110,994	-	-	-	(110,994)	-	(110,994)
Culture and recreation	77,972	-	-	-	(77,972)	-	(77,972)
Interest on long-term debt	307	-	-	-	(307)	-	(307)
<u>Total governmental activities</u>	<u>1,250,227</u>	<u>257,655</u>	<u>-</u>	<u>-</u>	<u>(992,572)</u>	<u>-</u>	<u>(992,572)</u>
Business-type Activities							
Gas	129,278	98,046	-	-	-	(31,232)	(31,232)
Water	305,965	298,645	-	-	-	(7,320)	(7,320)
Sewer	162,325	89,470	-	-	-	(72,855)	(72,855)
<u>Total business-type activities</u>	<u>597,568</u>	<u>486,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,407)</u>	<u>(111,407)</u>
<u>Total primary government</u>	<u>1,847,795</u>	<u>743,816</u>	<u>-</u>	<u>-</u>	<u>(992,572)</u>	<u>(111,407)</u>	<u>(1,103,979)</u>

Continued on next page.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION</u>		
	<u>FEES, FINES AND CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
General revenues						
Taxes						
Property taxes, levied for general purposes				\$ 289,354	\$ -	\$ 289,354
Sales taxes, levied for general purposes				236,602	-	236,602
Franchise taxes				254,350	-	254,350
Interest and investment earnings				7,177	16,552	23,729
Non-employer pension revenue				4,933	4,389	9,322
Occupational licenses and other permits				56,674	-	56,674
Intergovernmental				61,801	-	61,801
Miscellaneous				29,012	145	29,157
Transfers				(29,886)	29,886	-
<u>Total general revenues and transfers</u>				<u>910,017</u>	<u>50,972</u>	<u>960,989</u>
<u>Changes in net position</u>				<u>(82,555)</u>	<u>(60,435)</u>	<u>(142,990)</u>
Net position - July 1, 2016, as restated				<u>4,120,213</u>	<u>3,461,624</u>	<u>7,581,837</u>
Net position - June 30, 2017				<u>\$ 4,037,658</u>	<u>\$ 3,401,189</u>	<u>\$ 7,438,847</u>

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF KROTZ SPRINGS, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 611,219	\$ 514,402	\$ 1,125,621
Investments	225,000	515,424	740,424
Receivables, net of allowance for uncollectibles			
Interest receivable	102	157	259
Taxes	1,631	-	1,631
LaMATS receivable	63	-	63
Dr. Greene rent receivable	3,600	-	3,600
Due from other funds	38,989	11,268	50,257
Due from other governments	49,614	-	49,614
<u>Total assets</u>	<u>\$ 930,218</u>	<u>\$ 1,041,251</u>	<u>\$ 1,971,469</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 20,195	\$ -	\$ 20,195
Due to other funds	78,681	-	78,681
<u>Total liabilities</u>	<u>98,876</u>	<u>-</u>	<u>98,876</u>
 <u>FUND BALANCES</u>			
Restricted	-	1,041,251	1,041,251
Unassigned	831,342	-	831,342
<u>Total fund balances</u>	<u>831,342</u>	<u>1,041,251</u>	<u>1,872,593</u>
<u>Total liabilities and fund balances</u>	<u>\$ 930,218</u>	<u>\$ 1,041,251</u>	<u>\$ 1,971,469</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances for governmental funds at June 30, 2017		\$ 1,872,593
Cost of capital assets at June 30, 2017	\$ 4,336,422	
Less: Accumulated depreciation as of June 30, 2017	<u>(2,107,889)</u>	2,228,533
Prepaid expenses at June 30, 2017		29,975
Deferred Outflow of Resources		130,492
Deferred Inflow of Resources		(10,205)
Rent receivable that is not available to pay for current period expenditures and thus is not recognized in the governmental funds but are recognized in the Statement of Net Position		9,480
Elimination of interfund assets and liabilities		
Due from other funds	50,257	
Due to other funds	<u>(50,257)</u>	-
Net Pension Liability		(196,820)
Long-term liabilities at June 30, 2017		
Compensated absences	(25,329)	
Note payable	<u>(1,061)</u>	<u>(26,390)</u>
Net position at June 30, 2017		<u>\$ 4,037,658</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Taxes	\$ 543,704	\$ 236,602	\$ 780,306
Licenses and permits	56,674	-	56,674
Intergovernmental	61,801	-	61,801
Charges for services	19,987	-	19,987
Fines and forfeits	241,268	-	241,268
Investment income	4,590	2,587	7,177
Miscellaneous	29,012	-	29,012
<u>Total revenues</u>	<u>957,036</u>	<u>239,189</u>	<u>1,196,225</u>
<u>EXPENDITURES</u>			
Current operating			
General and administrative	473,270	2,366	475,636
Street	79,308	-	79,308
Police	498,887	-	498,887
Recreation	127,161	-	127,161
Debt service	10,496	-	10,496
<u>Total expenditures</u>	<u>1,189,122</u>	<u>2,366</u>	<u>1,191,488</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(232,086)</u>	<u>236,823</u>	<u>4,737</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	188,574	-	188,574
Transfers out	(23,886)	(194,574)	(218,460)
<u>Total other financing sources (uses)</u>	<u>164,688</u>	<u>(194,574)</u>	<u>(29,886)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(67,398)</u>	<u>42,249</u>	<u>(25,149)</u>
<u>FUND BALANCES, beginning of year</u>	<u>898,740</u>	<u>999,002</u>	<u>1,897,742</u>
<u>FUND BALANCES, end of year</u>	<u>\$ 831,342</u>	<u>\$ 1,041,251</u>	<u>\$ 1,872,593</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances for the year ended June 30, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$	(25,149)
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$	68,368
Depreciation expense for year ended June 30, 2017	<u>(110,853)</u>	(42,485)
Revenues that have not been earned in the governmental funds but are recognized as revenue in the government-wide financial statements		(3,600)
Differences between prepaid expenses on modified accrual basis versus accrual basis		2,303
Book value of capital asset disposals		-
Repayment of capital lease is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the Statement of Net Position		5,990
Repayment of long-term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the Statement of Net Position		4,199
Differences between compensated absences on modified accrual basis versus accrual basis		(5,497)
Pension Expense		(23,249)
Non-employer Pension Revenue		<u>4,933</u>
<u>Total change in net position for the year ended June 30, 2017 per Statement of Activities</u>	<u>\$</u>	<u>(82,555)</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 282,317	\$ 491,502	\$ 38,041	\$ 811,860
Investments	576,028	534,143	83,105	1,193,276
Receivables, net of allowance for uncollectibles				
Accounts	8,240	28,842	9,234	46,316
Interest	-	38	-	38
Due from other funds	14,215	20,176	6,807	41,198
Prepaid insurance	4,232	12,844	4,232	21,308
<u>Total current assets</u>	<u>885,032</u>	<u>1,087,545</u>	<u>141,419</u>	<u>2,113,996</u>
<u>RESTRICTED ASSETS</u>				
Cash	54,403	49,280	-	103,683
Investments	15,140	-	-	15,140
Due from operating account	-	3,348	-	3,348
<u>Total restricted assets</u>	<u>69,543</u>	<u>52,628</u>	<u>-</u>	<u>122,171</u>
<u>PROPERTY AND EQUIPMENT</u>				
Utility plant, net	7,644	144,626	1,243,828	1,396,098
<u>Total property and equipment</u>	<u>7,644</u>	<u>144,626</u>	<u>1,243,828</u>	<u>1,396,098</u>
<u>Total assets</u>	<u>962,219</u>	<u>1,284,799</u>	<u>1,385,247</u>	<u>3,632,265</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>23,370</u>	<u>37,385</u>	<u>10,985</u>	<u>71,740</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES (from current assets)</u>				
Accounts payable	1,757	8,982	2,388	13,127
Due to restricted account	-	3,348	-	3,348
Due to other funds	-	5,339	7,435	12,774
<u>Total</u>	<u>1,757</u>	<u>17,669</u>	<u>9,823</u>	<u>29,249</u>
<u>CURRENT LIABILITIES (from restricted assets)</u>				
Customers' deposits	50,836	52,628	-	103,464
<u>Total current liabilities</u>	<u>50,836</u>	<u>52,628</u>	<u>-</u>	<u>103,464</u>

Continued on next page.
The accompanying notes are an integral part of the basic financial statements.

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
<u>NONCURRENT LIABILITIES</u>				
Net pension liability	\$ 48,126	\$ -	\$ -	\$ -
Accrued compensated absences	-	6,512	3,474	9,986
<u>Total noncurrent liabilities</u>	48,126	6,512	3,474	9,986
<u>Total liabilities</u>	100,719	76,809	13,297	142,699
<u>DEFERRED INFLOWS OF RESOURCES</u>	4,034	6,453	1,896	12,383
<u>NET POSITION</u>				
Net investment in capital assets	7,644	144,626	1,243,828	1,396,098
Restricted for customer deposits	18,707	-	-	18,707
Unrestricted	854,485	1,017,310	114,589	1,986,384
<u>Total net position</u>	\$ 880,836	\$ 1,161,936	\$ 1,358,417	\$ 3,401,189

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 98,046	\$ 298,645	\$ 89,470	\$ 486,161
<u>Total operating revenues</u>	<u>98,046</u>	<u>298,645</u>	<u>89,470</u>	<u>486,161</u>
<u>OPERATING EXPENSES</u>				
Personal services	62,893	113,210	34,251	210,354
Contractual services	18,029	-	2,520	20,549
Supplies	516	13,724	1,233	15,473
Other expenses	46,990	123,830	42,383	213,203
Depreciation	850	55,201	81,938	137,989
<u>Total operating expenses</u>	<u>129,278</u>	<u>305,965</u>	<u>162,325</u>	<u>597,568</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(31,232)</u>	<u>(7,320)</u>	<u>(72,855)</u>	<u>(111,407)</u>
<u>NON-OPERATING REVENUES</u>				
Grant income	-	-	-	-
Miscellaneous income	-	-	145	145
Interest income	3,912	12,078	562	16,552
Non-employer pension revenue	1,430	2,287	672	4,389
<u>Total non-operating revenues</u>	<u>5,342</u>	<u>14,365</u>	<u>1,379</u>	<u>21,086</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>	<u>(25,890)</u>	<u>7,045</u>	<u>(71,476)</u>	<u>(90,321)</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating transfers in	1,978	19,611	8,297	29,886
Operating transfers out	-	-	-	-
<u>Total operating transfers in (out)</u>	<u>1,978</u>	<u>19,611</u>	<u>8,297</u>	<u>29,886</u>
<u>CHANGE IN NET POSITION</u>	<u>(23,912)</u>	<u>26,656</u>	<u>(63,179)</u>	<u>(60,435)</u>
<u>NET POSITION, beginning of year,</u>	<u>904,748</u>	<u>1,135,280</u>	<u>1,421,596</u>	<u>3,461,624</u>
<u>NET POSITION, end of year</u>	<u>\$ 880,836</u>	<u>\$ 1,161,936</u>	<u>\$ 1,358,417</u>	<u>\$ 3,401,189</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>GAS FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Cash received from customers	\$ 99,391	\$ 295,541	\$ 88,113	\$ 483,045
Cash payments to suppliers for goods and services	(67,161)	(145,443)	(51,805)	(264,409)
Cash payments to employees for services	(66,791)	(109,099)	(33,210)	(209,100)
<u>Net cash provided (used) by operating activities</u>	<u>(34,561)</u>	<u>40,999</u>	<u>3,098</u>	<u>9,536</u>
<u>CASH FLOWS FROM NONCAPITAL</u>				
<u>FINANCING ACTIVITIES</u>				
Transfers in (out)	1,978	17,280	15,733	34,991
<u>Net cash provided by noncapital financing activities</u>	<u>1,978</u>	<u>17,280</u>	<u>15,733</u>	<u>34,991</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	-	-	(22,310)	(22,310)
<u>Net cash used by capital and related financing activities</u>	<u>-</u>	<u>-</u>	<u>(22,310)</u>	<u>(22,310)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Purchase of investments	(2,937)	(2,556)	(561)	(6,054)
Interest on investments	3,912	12,078	562	16,552
<u>Net cash provided by investing activities</u>	<u>975</u>	<u>9,522</u>	<u>1</u>	<u>10,498</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(31,608)</u>	<u>67,801</u>	<u>(3,478)</u>	<u>32,715</u>
<u>CASH, July 1, 2016</u>	<u>368,328</u>	<u>472,981</u>	<u>41,519</u>	<u>882,828</u>
<u>CASH, June 30, 2017</u>	<u>\$ 336,720</u>	<u>\$ 540,782</u>	<u>\$ 38,041</u>	<u>\$ 915,543</u>

Continued on next page.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS
	GAS	WATER FUND	SEWER FUND	
<u>RECONCILIATION OF OPERATING INCOME</u>				
<u>(LOSS) TO NET CASH PROVIDED</u>				
<u>(USED) BY OPERATING</u>				
<u>ACTIVITIES</u>				
Operating (loss)	<u>\$ (31,232)</u>	<u>\$ (7,320)</u>	<u>\$ (72,855)</u>	<u>\$ (111,407)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	850	55,201	81,938	137,989
(Increase) decrease in accounts receivable	1,071	(6,670)	(1,675)	(7,274)
(Increase) decrease in NSF receivable	201	60	318	579
(Increase) decrease in prepaid insurance	(677)	(2,180)	(677)	(3,534)
Increase (decrease) in accounts payable	(949)	(5,709)	(4,992)	(11,650)
Increase (decrease) in accrued compensated absences	(7,282)	(480)	1,224	(6,538)
Increase (decrease) in customers' deposits	73	3,506	-	3,579
Increase (decrease) in pension expense	<u>3,384</u>	<u>4,591</u>	<u>(183)</u>	<u>7,792</u>
<u>Total adjustments</u>	<u>(3,329)</u>	<u>48,319</u>	<u>75,953</u>	<u>120,943</u>
 <u>Net cash provided (used)</u> <u>by operating activities</u>	 <u>\$ (34,561)</u>	 <u>\$ 40,999</u>	 <u>\$ 3,098</u>	 <u>\$ 9,536</u>

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

B. BASIS OF PRESENTATION - Continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

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

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major governmental funds:

Governmental Funds

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

Special Revenue Fund

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

The Town reports the following major proprietary funds:

Enterprise Funds

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

B. BASIS OF PRESENTATION – Continued

FUND FINANCIAL STATEMENTS – Continued

Enterprise Funds – Continued

Sewer Fund

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

MEASUREMENT FOCUS

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

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

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

BASIS OF ACCOUNTING

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

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING - Continued

PROGRAM REVENUES

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

ALLOCATION OF INDIRECT EXPENSES

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

CASH AND INVESTMENTS

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

At year-end, the carrying amount of the Town's cash and investments was \$3,993,352. The bank balance of cash was \$2,158,656 and of investments was \$1,948,839. Investments are stated at cost or amortized cost, which approximates market. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP). Cash and certificates of deposits are fully secured through the pledge of bank-owned securities or federal deposit insurance. Investments in certificates of deposit at June 30, 2017 were \$936,749. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by a professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investment in LAMP at June 30, 2017 was \$1,012,090. LAMP is currently rated AAAM by Standard & Poor's Ratings Services.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging financial institution by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2017 are secured as follows:

Bank balances	\$ 4,107,495
Federal deposit insurance	\$ 500,000
Pledged securities	3,607,495
	\$ 4,107,495
	\$ 4,107,495

Deposits in the amount of \$3,607,495 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. The Town does not have a policy for custodial credit risk.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

INTERFUND RECEIVABLES AND PAYABLES

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

CAPITAL ASSETS

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

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years
Water system	20 - 50 years
Sewerage system	20 - 50 years
Meters	10 - 20 years

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

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

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

BAD DEBTS

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

BAD DEBTS – Continued

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

Allowance for uncollectible accounts receivable in the Enterprise Funds at June 30, 2017 was \$12,749.

BUDGETS AND BUDGETARY ACCOUNTING

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

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

The budgeted accounts shown in these financial statements include the original and final budget amounts for the year ending June 30, 2017. The budget was properly amended during a public meeting held on June 28, 2017.

ENCUMBRANCES

The Town does not employ the encumbrance system of accounting.

INVENTORY

The Town practices the policy of recording materials and supplies as expenditures or expenses when acquired. The Town does not record any of these items as inventory because the amount of the items in stock is insignificant.

COMPENSATED ABSENCES

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

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

LONG-TERM DEBT

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of the compensated absences payable.

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

REVENUES, EXPENDITURES, AND EXPENSES

Revenues and Expenses

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

Expenditures/Expenses

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

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

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

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

Interfund Transfers

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

EQUITY CLASSIFICATIONS

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

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

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

4. Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING – Continued

ESTIMATES

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

NOTE (2) - RECEIVABLES

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Taxes receivable	\$ 1,631	\$ -	\$ 1,631
Accounts	-	46,316	46,316
NSF receivable	-	-	-
Accrued interest receivable	259	38	297
LaMATS receivable	63	-	63
Dr. Greene rent receivable	13,080	-	13,080
	<u>\$ 15,033</u>	<u>\$ 46,354</u>	<u>\$ 61,387</u>
<u>Total</u>			

NOTE (3) - RETIREMENT PLAN

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

Municipal Employees' Retirement System (MERS)

PLAN DESCRIPTION

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

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

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

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

- a. Seven years or more of service, at age sixty-seven or thereafter.
- b. Ten years or more of service, at age sixty-two, or thereafter.
- c. Thirty years or more of service, at age fifty-five or thereafter.
- d. Twenty-five years of service credit at any age, exclusive of military service and unused annual sick leave.

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

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

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

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

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

EMPLOYER CONTRIBUTIONS

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality. According to the state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2016, the employer contribution rate was 9.5% of member's earnings for Plan B.

According to the state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Administrative costs of the System are financed through employer contributions.

The Town of Krotz Springs' employer contributions to Municipal Employees' Retirement System for the years ended June 30, 2017, 2016, and 2015, were \$26,678, \$20,664, and \$20,982, respectively, and were equal to the required contribution for each year.

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

At June 30, 2017, the Employer reported a liability of \$251,818 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 Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.303795%, which was an increase of 0.01073% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$27,282 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$911.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

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

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 853	\$ (1,504)	\$ 1,212	\$ (2,134)
Changes of assumptions	5,187	-	7,362	-
Net difference between projected and actual earnings on pension plan investments	25,511	-	36,213	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions and deferred outflows and inflows of resources	7,968	(7,220)	11,301	(10,249)
Employer contributions subsequent to the measurement date	11,026	-	15,652	-
Total	<u>\$ 50,545</u>	<u>\$ (8,724)</u>	<u>\$ 71,740</u>	<u>\$ (12,383)</u>

\$11,026, for governmental activities, and \$15,652, for business-type activities, are reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	\$ 28,752
2019	14,652
2020	21,701
2021	9,396
Total	<u>\$ 74,501</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of the System's employer for Plan B determined in accordance with GASB No. 67 as of June 30, 2016 are as follows:

	<u>PLAN B</u>
Total Pension Liability	\$ 686,857
Plan Fiduciary Net Position	(435,039)
Total Net Pension Liability	\$ 251,818

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2016 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014. Information on the actuarial valuation and assumptions is as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Expected remaining service lives	4 years - Plan B
Investment Rate of Return	7.50%
Inflation Rate	2.875%
Salary increases, including inflation and merit increases	5.00%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.60%
Public fixed income	35%	1.80%
Alternatives	15%	0.80%
Totals	100%	5.20%
Inflation		<u>2.50%</u>
Expected Arithmetic Nominal Return		<u>7.70%</u>

The discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the System calculated using the discount rate of 7.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current discount rate (assuming all other assumptions remain unchanged):

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

Changes in discount for years ending June 30, 2016 for Plan B are as follows:

	Changes in Discount Rate: Plan B		
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$325,760	\$251,818	\$188,731

CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience: Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

The difference between expected and actual experience resulted in a deferred outflow of resources in the amount of \$2,065 and deferred inflow of resources in the amount of \$3,368 for the year ended June 30, 2016.

Differences between Projected and Actual Investment Earnings: Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$61,724 for the year ended June 30, 2016.

Changes of Assumptions or Other Inputs: Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources as of June 30, 2016 of \$12,549.

Change in Proportion: Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented as deferred outflows of \$19,269 and deferred inflows of \$17,469 as of June 30, 2016.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Employees' Retirement System (MERS) – Continued

CONTRIBUTIONS – PROPORTIONATE SHARE

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

ESTIMATES

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

RETIREMENT SYSTEM AUDIT REPORT

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to the report can be found on the Louisiana Legislative Auditor's website, www.la.la.gov, or by contacting the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

PAYABLES TO THE PENSION PLAN

At June 30, 2017, the Town reported a payable to the Municipal Employees' Retirement System of Louisiana of \$1,882 for the employer's portion of contractually required contributions to the pension plan for the month of June.

Municipal Police Employees' Retirement System (MPERS)

PLAN DESCRIPTION

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

PLAN DESCRIPTION – Continued

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

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

Membership Prior to January 1, 2013

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

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

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

Membership Commencing January 1, 2013

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

PLAN DESCRIPTION – Continued

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

Cost of Living Adjustments

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

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

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

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity.

If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

Initial Benefit Option Plan

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

EMPLOYER CONTRIBUTIONS

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

For the year ended June 30, 2016, total contributions due for employers and employees was 39.5%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 29.5% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 31.5% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 32% and 7.5%, respectively. The Town of Krotz Springs' employer contributions to the Municipal Police Employees' Retirement System for the years ended 2017 and 2016 were \$5,863 and \$8,272, respectively, and were equal to the required contribution for each year.

Non-employer contributions

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

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

At June 30, 2017, the Employer reported a liability of \$92,735 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 Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.009894%.

For the year ended June 30, 2017, the Town recognized pension expense of \$24,465 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$83).

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

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

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

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,475)
Changes of assumptions	4,509	(6)
Net difference between projected and actual earnings on pension plan investments	14,269	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions and deferred outflows and inflows of resources	55,306	-
Employer contributions subsequent to the measurement date	5,863	-
Total	<u>\$ 79,947</u>	<u>\$ (1,481)</u>

\$5,863, for governmental activities, are reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 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	\$ 22,253
2019	22,622
2020	24,102
2021	3,625
Total	<u>\$ 72,602</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

ACTUARIAL METHODS AND ASSUMPTIONS

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of the Town employer as of June 30, 2016 are as follows:

Total Pension Liability	\$ 273,089
Plan Fiduciary Net Position	(180,354)
Total Net Pension Liability	\$ 92,735

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

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

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.5%, net of investment expense	
Expected remaining Service lives	2016 -- 4 years	
	2015 -- 4 years	
	2014 -- 4 years	
Inflation Rate	2.875%	
Salary increases, including including inflation and merit	<u>Year of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and included previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. The data was assigned creditability 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 best estimates of the arithmetic nominal rates of return for each major asset class included in the Plan's target allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.69%
Fixed Income	21%	0.49%
Alternative	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

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

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the 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, 6.5%, or one percentage point higher, 8.5%, than the current rate as of June 30, 2016.

	Changes in Discount Rate:		
	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 123,623	\$ 92,735	\$ 66,801

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (3) - RETIREMENT PLAN – Continued

Municipal Police Employees' Retirement System (MPERS) – Continued

CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience: The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in deferred inflows of resources as of June 30, 2016 as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2016	
				Deferred Outflows	Deferred Inflows
2016	\$ -	\$ 862	\$ (216)	\$ -	\$ 646
2015	-	698	(233)	-	465
2014	-	727	(363)	-	364
	\$ -			\$ -	\$ 1,475

Differences between Projected and Actual Investment Earnings: The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources as of June 30, 2016 as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2016		Net Deferred Outflows Balance
				Deferred Outflows	Deferred Inflows	
2016	\$ 18,122	\$ -	\$ 3,624	\$ 14,498	\$ -	\$ 14,498
2015	9,034	-	2,259	6,775	-	6,775
2014	-	10,506	(3,502)	-	7,004	(7,004)
	\$ 21,273			\$ 21,273	\$ 7,004	\$ 14,269

Changes of Assumptions or Other Inputs: The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources and deferred inflows of resources as of June 30, 2016 as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2016	
				Deferred Outflows	Deferred Inflows
2016	\$ -	\$ -	\$ -	\$ -	\$ -
2015	6,763	-	2,254	4,509	-
2014	-	12	(6)	-	6
	\$ 6,763	\$ 12	\$ (6)	\$ 4,509	\$ 6

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Municipal Police Employees' Retirement System (MPERS) – Continued

Change in Proportion: Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in the employer's proportionate shares are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2016.

CONTRIBUTIONS – PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer. The unamortized amounts arising from changes in proportion are presented as deferred outflows of \$55,306 as of June 30, 2016.

RETIREMENT SYSTEM AUDIT REPORT

Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

ESTIMATES

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

NOTE (4) - AD VALOREM TAXES

For the year ended June 30, 2017, the Town of Krotz Springs levied a general tax of 9.11 mills, the statutory maximum, on property with assessed valuation totaling \$31,521,360. Total tax levied was \$287,159. Taxes receivable at June 30, 2017 totaled \$1,631, net of the allowance for uncollectible accounts of \$11,060.

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (5) - ACCOUNTS RECEIVABLE – ENTERPRISE FUNDS

The accounts receivable consist of gas, water and sewer billings uncollected as of June 30, 2017. An accounts receivable aging schedule is as follows:

Days		
Unbilled	\$	9,757
0 - 30		36,217
31 - 60		1,785
61 - 90		(73)
91 and older		11,417
<u>Total accounts receivable</u>		<u>59,103</u>
Less: allowance for uncollectible accounts		<u>(12,749)</u>
<u>Net accounts receivable</u>	\$	<u>46,354</u>

NOTE (6) - PROPRIETARY FUNDS – RESTRICTED ASSETS

Certain assets of the Enterprise Funds have been restricted for customers' deposits. These assets consist of cash and short-term investments totaling \$118,823.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (7) - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2017, for the Town of Krotz Springs is as follows:

	Balances July 1, 2016	Additions	Disposals	Balances June 30, 2017
Governmental Activities				
Non-depreciable				
Land	\$ 855,247	\$ -	\$ -	\$ 855,247
Depreciable				
Land improvements	534,209	-	-	534,209
Building and improvements	1,524,843	-	-	1,524,843
Equipment	593,586	6,368	-	599,954
Furniture and fixtures	21,767	-	-	21,767
Other structures and improvements	738,402	62,000	-	800,402
<u>Totals at historical cost</u>	<u>4,268,054</u>	<u>68,368</u>	<u>-</u>	<u>4,336,422</u>
Less accumulated depreciation				
Land improvements	239,752	27,177	-	266,929
Building and improvements	628,582	40,257	-	668,839
Equipment	452,505	30,609	-	483,114
Furniture and fixtures	21,769	-	-	21,769
Other structures and improvements	654,428	12,810	-	667,238
<u>Total accumulated depreciation</u>	<u>1,997,036</u>	<u>110,853</u>	<u>-</u>	<u>2,107,889</u>
Governmental Activities	<u>\$ 2,271,018</u>	<u>\$ (42,485)</u>	<u>\$ -</u>	<u>\$ 2,228,533</u>
Capital assets, net				
	Balances July 1, 2016	Additions	Disposals	Balances June 30, 2017
Business-type Activities				
Non-depreciable				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
CIP	715,508	-	715,508	-
Depreciable				
Waterworks and gas system	2,375,122	-	-	2,375,122
Waterworks furniture and equipment	99,680	-	-	99,680
Sewer plant and equipment	2,277,932	718,508	-	2,996,440
<u>Totals at historical cost</u>	<u>5,470,942</u>	<u>718,508</u>	<u>715,508</u>	<u>5,473,942</u>
Less accumulated depreciation				
Waterworks and gas system	2,208,966	46,365	-	2,255,331
Waterworks furniture and equipment	60,214	9,687	-	69,901
Sewer plant and equipment	1,670,673	81,938	-	1,752,611
<u>Total accumulated depreciation</u>	<u>3,939,853</u>	<u>137,990</u>	<u>-</u>	<u>4,077,843</u>
Business-type Activities	<u>\$ 1,531,089</u>	<u>\$ 580,518</u>	<u>\$ 715,508</u>	<u>\$ 1,396,099</u>
Capital assets, net				

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (7) - CAPITAL ASSETS -- Continued

Depreciation expense was charged to governmental activities as follows:

General government	\$ 53,881
Public safety - police	11,002
Public works - streets	33,159
Culture and recreation	<u>12,811</u>
<u>Total</u>	<u>\$ 110,853</u>

NOTE (8) - INTERGOVERNMENTAL AGREEMENT

The Town of Krotz Springs entered into an agreement with St. Landry Parish Solid Waste Disposal District in March of 2013 for the use of a backhoe. The agreement is for a five year period ending in March of 2018 and requires no payment from the Town. The Town is only required to carry insurance on the equipment.

NOTE (9) - ACCOUNTS AND OTHER PAYABLES

The accounts and other payables consisted of the following at June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 20,195	\$ 13,127	\$ 33,322

NOTE (10) - CHANGES IN LONG-TERM DEBT

The Town of Krotz Springs entered into a noncancellable capital lease with Mears Motor Leasing for a police car on June 11, 2012. The first monthly payment was due on June 25, 2012. The agreement requires monthly payments of \$621.15 for sixty months which are recorded in the General Fund. Amortization expense on the lease is included in depreciation expense.

The Town of Krotz Springs entered into a loan agreement with Sterling Automotive Group, financed through Ally Bank, for a Dodge truck on September 12, 2012. The first monthly payment was due on October 18, 2012. The agreement requires monthly payments of \$362.23 for sixty months at an interest rate of 4.39% which are recorded in the General Fund, secured by the vehicle.

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2017.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Compensated absences payable at 7/01/16	\$ 19,832	\$ 16,524	\$ 36,356
Increase (decrease)	<u>5,497</u>	<u>(6,538)</u>	<u>(1,041)</u>
Compensated absences payable at 6/30/17	<u>\$ 25,329</u>	<u>\$ 9,986</u>	<u>\$35,315</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (10) - CHANGES IN LONG-TERM DEBT - Continued

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital lease payable at 7/01/16	\$ 5,990	\$ -	\$ 5,990
Payments	<u>(5,990)</u>	<u>-</u>	<u>(5,990)</u>
Capital lease payable at 6/30/17	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Note payable at 7/01/16	\$ 5,260	\$ -	\$ 5,260
Payments	<u>(4,199)</u>	<u>-</u>	<u>(4,199)</u>
Note payable at 6/30/17	<u>\$ 1,061</u>	<u>\$ -</u>	<u>\$ 1,061</u>
Due within one year	<u>\$ 1,061</u>	<u>\$ -</u>	<u>\$ 1,061</u>

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 1,061</u>	<u>\$ 7</u>	<u>\$ 1,068</u>
	<u>\$ 1,061</u>	<u>\$ 7</u>	<u>\$ 1,068</u>

NOTE (11) - LEASE COMMITMENTS

The Town of Krotz Springs entered into a monthly operating lease for a postage meter machine. One quarterly payment was made for \$181.50 in September 2016. In October 2016, the Town received a new postage machine, increasing their quarterly payments to \$206.79. Three quarterly payments were made for \$206.79. Lease expense at June 30, 2017 totaled \$620.37.

NOTE (12) - INTERFUND RECEIVABLES, PAYABLES

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

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (12) - INTERFUND RECEIVABLES, PAYABLES -- Continued

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

	Interfund Receivables	Interfund Payables
Major Funds		
Governmental Funds		
General Fund	\$ 38,989	\$ 78,681
Sales Tax Fund	11,268	-
Proprietary Funds		
Gas Fund	14,215	-
Water Fund	20,176	5,339
Sewer Fund	6,807	7,435
	\$ 91,455	\$ 91,455

NOTE (13) - INTERFUND TRANSFERS

Transfers consisted of the following at June 30, 2017:

	Transfers In	Transfers Out
Major Funds		
Governmental Funds		
General Fund	\$ 188,574	\$ 23,886
Sales Tax Fund	-	194,574
Proprietary Funds		
Gas Fund	1,978	-
Water Fund	19,611	-
Sewer Fund	8,297	-
	\$ 218,460	\$ 218,460

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

NOTE (14) - RISK MANAGEMENT

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

NOTE (15) - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town does not provide any post-employment benefits to retirees other than pension and therefore is not required to report under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

TOWN OF KROTZ SPRINGS, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE (16) - FUND BALANCE CONSTRAINTS

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

	<u>General Fund</u>	<u>Sales Tax</u>	<u>Total</u>
Fund Balances:			
Nonspendable:	\$ -	\$ -	\$ -
Restricted:	-	1,041,251	1,041,251
Committed:	-	-	-
Assigned:			
Unassigned:	<u>831,342</u>	<u>-</u>	<u>831,342</u>
Total fund balances	<u>\$ 831,342</u>	<u>\$ 1,041,251</u>	<u>\$ 1,872,593</u>

NOTE (17) CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27, for Employees' Pension Plans through Municipal Police Employees' Retirement System (MPERS). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used for project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The implementation of GASB 68 had the following effects:

	<u>Governmental Activities</u>
Net position, June 30, 2016	\$ 4,111,941
Recognition of MPERS net pension liability	<u>8,272</u>
Restated net position, July 1, 2016	<u>\$ 4,120,213</u>

NOTE (18) CONTINGENCIES

At June 30, 2017, the Town is involved in one lawsuit. In the opinion of management and/or legal counsel for the Town of Krotz Springs, resolution of this lawsuit will not involve any material liability (after meeting the insurance deductible of \$2,500) to the Town of Krotz Springs. This amount is immaterial to the financial statements, and as a result, has not been accrued.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$ 486,144	\$ 538,439	\$ 543,704	\$ 5,265
Licenses and permits	29,679	40,773	56,674	15,901
Intergovernmental	58,387	52,081	61,801	9,720
Charges for services	27,521	18,247	19,987	1,740
Fines and forfeits	303,662	251,416	241,268	(10,148)
Investment income	4,267	4,548	4,590	42
Miscellaneous	29,700	39,082	29,012	(10,070)
<u>Total revenues</u>	<u>939,360</u>	<u>944,586</u>	<u>957,036</u>	<u>12,450</u>
<u>EXPENDITURES</u>				
<u>Current operating</u>				
General and administrative	427,788	527,896	473,270	54,626
Street department	71,281	75,275	79,308	(4,033)
Police department	564,772	511,332	498,887	12,445
Recreation department	153,210	106,705	127,161	(20,456)
Debt service	10,503	11,180	10,496	684
<u>Total expenditures</u>	<u>1,227,554</u>	<u>1,232,388</u>	<u>1,189,122</u>	<u>43,266</u>
<u>DEFICIENCY OF REVENUES UNDER EXPENDITURES</u>				
	<u>(288,194)</u>	<u>(287,802)</u>	<u>(232,086)</u>	<u>55,716</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	114,000	204,774	188,574	(16,200)
Transfers out	(22,255)	(18,900)	(23,886)	(4,986)
<u>Total other financing sources (uses)</u>	<u>91,745</u>	<u>185,874</u>	<u>164,688</u>	<u>(21,186)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ (196,449)</u>	<u>\$ (101,928)</u>	<u>(67,398)</u>	<u>\$ 34,530</u>
<u>FUND BALANCE, beginning of year</u>			<u>898,740</u>	
<u>FUND BALANCE, end of year</u>			<u>\$ 831,342</u>	

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Sales tax collections	\$ 264,780	\$ 229,773	\$ 236,602	\$ 6,829
Investment income				
Interest income	1,504	1,688	2,587	899
<u>Total revenues</u>	<u>266,284</u>	<u>231,461</u>	<u>239,189</u>	<u>7,728</u>
<u>EXPENDITURES</u>				
Current operating				
General and administrative				
Collection fees	5,500	3,000	2,366	634
<u>Total expenditures</u>	<u>5,500</u>	<u>3,000</u>	<u>2,366</u>	<u>634</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>260,784</u>	<u>228,461</u>	<u>236,823</u>	<u>8,362</u>
<u>OTHER FINANCING USES</u>				
Transfers out	(154,800)	(211,974)	(194,574)	17,400
<u>Total other financing uses</u>	<u>(154,800)</u>	<u>(211,974)</u>	<u>(194,574)</u>	<u>17,400</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ 105,984</u>	<u>\$ 16,487</u>	42,249	<u>\$ 25,762</u>
<u>FUND BALANCE</u> , beginning of year			999,002	
<u>FUND BALANCE</u> , end of year			<u>\$ 1,041,251</u>	

PENSION PLAN SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

Schedule for Municipal Employee Retirement System:

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.303795%	0.293065%	0.35833%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 251,818	\$ 199,181	\$ 165,689
Employer's Covered-Employee Payroll	\$ 223,195	\$ 220,960	\$ 189,016
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	112.82%	90.14%	87.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.34%	66.18%	76.94%

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

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

Schedule for Municipal Police Employee Retirement System:

	<u>2017*</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.009894%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 92,735
Employer's Covered-Employee Payroll	\$ 26,624
Employer's Proportionate Share of the Net Pension Liability	348.31%
Plan Fiduciary Net Position as a Percentage of the Total	66.04%

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

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

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule for Municipal Employee Retirement System:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 26,434	\$ 26,678	\$ (244)	\$ 240,313	11.0%
2016	21,204	20,664	540	\$ 223,195	9.5%
2015	20,991	20,982	9	\$ 220,960	9.5%

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

Schedule for Municipal Police Employee Retirement System:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 6,363	\$ 5,863	\$ 500	\$ 20,040	31.75%

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

TOWN OF KROTZ SPRINGS, LOUISIANA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

(1) BUDGETS AND BUDGETARY ACCOUNTING

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

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

(2) PENSION PLAN

Changes of Assumptions-Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

OTHER SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund. The General Fund has a greater number and variety of revenue sources than any other fund, and its resources normally finance a wider range of activities. The resources of the General Fund are ordinarily largely expended and replenished on an annual basis.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>TAXES</u>			
Property taxes	\$ 285,359	\$ 289,354	\$ 3,995
Franchise - Electric	252,728	253,335	607
Franchise - Cable television	352	352	-
Franchise - Spillway	-	663	663
<u>Total taxes</u>	<u>538,439</u>	<u>543,704</u>	<u>5,265</u>
<u>LICENSES AND PERMITS</u>			
Liquor licenses	1,720	2,780	1,060
Insurance licenses	21,453	26,011	4,558
Occupational licenses	17,600	18,685	1,085
Building and moving permits	-	9,198	9,198
<u>Total licenses and permits</u>	<u>40,773</u>	<u>56,674</u>	<u>15,901</u>
<u>INTERGOVERNMENTAL</u>			
State beer tax	2,576	2,578	2
Housing authority	1,358	1,158	(200)
Video poker fees	16,642	18,359	1,717
Racino income	31,505	29,199	(2,306)
State grants	-	10,507	10,507
<u>Total intergovernmental</u>	<u>52,081</u>	<u>61,801</u>	<u>9,720</u>
<u>CHARGES FOR SERVICES</u>			
Building rental	12,325	12,875	550
Recreation income	3,786	4,689	903
Library income	2,136	2,423	287
<u>Total charges for services</u>	<u>18,247</u>	<u>19,987</u>	<u>1,740</u>
<u>FINES AND FORFEITS</u>			
Court fines	251,416	241,268	(10,148)
<u>Total fines and forfeits</u>	<u>251,416</u>	<u>241,268</u>	<u>(10,148)</u>
<u>INVESTMENT INCOME</u>			
Interest income	4,548	4,590	42

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>MISCELLANEOUS</u>			
Grass cutting	\$ 8,881	\$ 7,180	\$ (1,701)
LMA insurance rebate	-	343	343
Other	30,201	21,489	(8,712)
<u>Total miscellaneous</u>	<u>39,082</u>	<u>29,012</u>	<u>(10,070)</u>
<u>Total revenues</u>	<u>\$ 944,586</u>	<u>\$ 957,036</u>	<u>\$ 12,450</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<u>GENERAL AND ADMINISTRATIVE</u>			
<u>Personal services</u>			
Salaries	\$ 140,512	\$ 139,969	\$ 543
Mayor and council	31,475	30,450	1,025
Payroll taxes	10,930	11,230	(300)
Retirement	17,730	11,295	6,435
<u>Supplies</u>			
Supplies and postage	85,771	74,673	11,098
Uniforms	1,087	1,551	(464)
<u>Other</u>			
Insurance	57,777	50,562	7,215
Utilities	27,235	26,995	240
Conventions and conferences	6,531	7,972	(1,441)
Telephone	9,578	9,430	148
Legal and professional	14,811	14,386	425
Repairs and maintenance	44,876	39,517	5,359
Miscellaneous	44,179	36,543	7,636
Publications and notices	2,525	1,934	591
Dues and subscriptions	4,060	3,560	500
Pest control	944	736	208
Lease expense	380	-	380
Bank charges	-	52	(52)
Tax rolls and election expense	1,486	572	914
Coroner fees	704	600	104
Meals	2,176	8,143	(5,967)
Capital outlay	23,129	3,100	20,029
<u>Total general and administrative</u>	527,896	473,270	54,626

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<u>STREET DEPARTMENT</u>			
<u>Supplies</u>			
Gasoline	\$ 14,204	\$ 11,543	\$ 2,661
Supplies	14,952	15,084	(132)
Uniforms	-	289	(289)
<u>Other</u>			
Repairs and maintenance	8,442	14,421	(5,979)
Gravel	260	230	30
Insurance	10,186	8,453	1,733
Telephone	2,184	2,406	(222)
Miscellaneous	876	96	780
Salaries	16,727	18,719	(1,992)
Payroll taxes	1,332	1,408	(76)
Meals	880	848	32
Mosquito abatement	4,760	3,960	800
Drug testing	-	26	(26)
Utilities	272	252	20
Building lease	200	100	100
Capital outlay	-	1,473	(1,473)
<u>Total street department</u>	<u>75,275</u>	<u>79,308</u>	<u>(4,033)</u>
<u>POLICE DEPARTMENT</u>			
<u>Personal services</u>			
Salaries	311,677	316,329	(4,652)
Payroll taxes	25,570	25,858	(288)
Retirement	12,861	4,896	7,965
<u>Supplies</u>			
Office supplies and postage	5,878	5,356	522
Uniforms	1,709	3,028	(1,319)
Gasoline	14,936	14,323	613
<u>Other</u>			
Insurance	85,982	79,143	6,839
Telephone	5,828	5,122	706

Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<u>POLICE DEPARTMENT - Continued</u>			
<u>Other - Continued</u>			
Repairs and maintenance	\$ 7,661	\$ 5,990	\$ 1,671
Prisoners' meals	437	396	41
Auto expense	12,800	12,154	646
Dues and subscriptions	7,523	7,385	138
Conventions and conferences	2,549	2,480	69
Miscellaneous	992	445	547
Legal and professional	8,063	6,830	1,233
Drug testing	981	906	75
LA Community Law Enforcement	3,138	2,828	310
Supplies	2,747	3,623	(876)
<u>Capital outlay</u>			
Vehicles	-	1,795	(1,795)
<u>Total police department</u>	<u>511,332</u>	<u>498,887</u>	<u>12,445</u>
<u>RECREATION DEPARTMENT</u>			
<u>Personal services</u>			
Salaries	21,354	23,260	(1,906)
Payroll taxes	1,624	1,677	(53)
<u>Supplies</u>			
Materials and supplies	11,476	16,716	(5,240)
<u>Other</u>			
Utilities	417	317	100
Miscellaneous	398	1,573	(1,175)
Insurance	3,820	3,120	700
Accounting and audit	163	75	88
Entry fees - park activity	2,923	18,423	(15,500)
<u>Capital outlay</u>			
Improvements	64,530	62,000	2,530
<u>Total recreation department</u>	<u>106,705</u>	<u>127,161</u>	<u>(20,456)</u>
<u>DEBT SERVICE</u>			
Lease expense, police	6,833	6,149	684
Note payment, streets	4,347	4,347	-
<u>Total debt service</u>	<u>11,180</u>	<u>10,496</u>	<u>684</u>
<u>Total expenditures</u>	<u>\$ 1,232,388</u>	<u>\$1,189,122</u>	<u>\$ 43,266</u>

OTHER SUPPLEMENTARY SCHEDULES

TOWN OF KROTZ SPRINGS, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

GAS FUND

Personal services

Salaries	\$ 49,914
Payroll taxes	4,673
Retirement	8,306

Contractual services

Gas purchases	18,029
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Supplies

Office supplies and postage	516
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Other

Repairs and maintenance	2,284
Insurance	27,647
Miscellaneous	2,265
Legal and professional	7,784
Dues and subscriptions	2,000
Pipeline fees	400
Workshops and training	4,610

Depreciation

850

Total gas fund

\$129,278

WATER FUND

Personal services

Salaries	\$ 93,417
Payroll taxes	7,277
Retirement	12,516

Supplies

Materials and supplies	13,724
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Continued on next page.

TOWN OF KROTZ SPRINGS, LOUISIANA
ENTERPRISE FUNDS
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

WATER FUND - Continued

<u>Other</u>	
Dues and subscriptions	\$ 300
Repairs and maintenance	15,642
Insurance	49,241
Legal and professional	15,470
Utilities	18,220
Telephone	14,910
Miscellaneous	215
Water pollution control fee	5,669
Workshops and training	1,929
Uniforms	2,234
<u>Depreciation</u>	<u>55,201</u>
<u>Total water fund</u>	<u>\$ 305,965</u>

SEWER FUND

<u>Personal services</u>	
Salaries	\$ 28,727
Payroll taxes	2,218
Compensated absences	1,224
Retirement	2,082
<u>Contractual services</u>	
Survey expense	2,520
<u>Supplies</u>	
Office supplies and postage	1,233
<u>Other</u>	
Repairs and maintenance	5,815
Insurance	18,332
Legal and professional	5,534
Utilities	11,579
Miscellaneous	114
Uniforms	1,009
<u>Depreciation</u>	<u>81,938</u>
<u>Total sewer fund</u>	<u>\$ 162,325</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
COMBINED SCHEDULE OF INVESTMENTS – ALL FUNDS
JUNE 30, 2017

<u>GENERAL FUND</u>	<u>INTEREST RATES</u>	<u>MATURITY</u>	<u>TOTAL BOOK VALUE</u>
Certificate of Deposit American Bank and Trust Co.	0.65%	7/3/2017	\$ 100,000
Certificate of Deposit American Bank and Trust Co.	0.65%	7/3/2017	50,000
Certificate of Deposit American Bank and Trust Co.	0.65%	12/8/2017	75,000
 <u>SALES TAX FUND</u>			
Certificate of Deposit American Bank and Trust Co.	0.65%	12/8/2017	100,000
Certificate of Deposit American Bank and Trust Co.	0.65%	12/8/2017	150,000
Certificate of Deposit American Bank and Trust Co.	0.65%	12/8/2017	150,000
Investment in Louisiana Asset Management Pool	N/A	N/A	115,424
 <u>ENTERPRISE FUNDS</u>			
Certificate of Deposit American Bank and Trust Co.	0.65%	10/1/2017	15,140
Certificate of Deposit American Bank and Trust Co.	0.65%	9/30/2017	83,190
Certificate of Deposit American Bank and Trust Co.	0.65%	10/1/2017	57,866
Certificate of Deposit American Bank and Trust Co.	0.65%	12/8/2017	96,132
Certificate of Deposit American Bank and Trust Co.	0.65%	9/30/2017	59,421
Investment in Louisiana Asset Management Pool	N/A	N/A	434,972
Investment in Louisiana Asset Management Pool	N/A	N/A	320,878
Investment in Louisiana Asset Management Pool	N/A	N/A	57,712
Investment in Louisiana Asset Management Pool	N/A	N/A	83,105
 <u>Total</u>			 <u>\$ 1,948,840</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
(UNAUDITED)
JUNE 30, 2017

POLICY NUMBER	INSURER	ASSETS COVERED	TYPE OF COVERAGE	LIMITS OF COVERAGE	EFFECTIVE DATES	
					FROM	TO
5X0954818	Employer's Mutual Casualty Company	Blanket policy on building occupied as police station, jail and city hall and contents, and buildings in parks	Commercial Property Coverage	Various	3/14/2017	3/14/2018
70-0352-16236	Louisiana Municipal Risk Management Agency	Workmen's Compensation	Workmen's Compensation	\$500,000	2/16/2017	2/16/2018
LMA1600023	Lane & Associates Inc.	2000 Ford Crown Victoria 2006 Dump Truck 2004 Toyota pickup 2002 Ford Crown Victoria	Physical damage policy	Various	2/14/2016	2/14/2018
GLP150002-0	Lane & Associates Inc.	2006 Volvo EC35 excavator 2012 Case Loader/Backhoe	Physical damage policy	\$89,957	3/14/2017	3/14/2018
100-0431-16250	Louisiana Municipal Risk Management Agency	2004 Toyota pickup 2005 GMC dump truck 2012 Dodge pickup 2007 Truck 2007 Dodge pickup 2010 Ford pickup 1993 Ford sedan 2000 Ford sedan 2002 Ford sedan 2008 Dodge sedan 2005 Chevy sedan 2001 Chevy sedan	Uninsured motorists, collision, property coverage	\$500,000	3/14/2017	3/14/2018
100-0431-16250	Risk Management Inc.	Law Enforcement Professional Liability	Personal injury & Property damage	\$500,000	3/14/2017	3/14/2018
100-0431-16250	Risk Management Inc.	Public Official's Liability Policy	Errors & Omissions	\$500,000	3/14/2017	3/14/2018
100-0431-16250	Risk Management Inc.	General Liability	Bodily injury & Property damage	\$500,000	3/14/2017	3/14/2018
402-05446816048001	Nationwide Life Insurance Company	Summer recreation program	Liability policy	\$25,000	3/1/2017	7/30/2017

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO GOVERNING BODY
FOR THE YEAR ENDED JUNE 30, 2017

COMPENSATION TO BOARD MEMBERS

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

		<u>COMPENSATION</u>
Carroll Snyder, Mayor	July - June	\$ 14,200
Andre' Lanclos, Alderman	July - June	3,250
Cynthia Stelly, Alderwoman	July - June	3,250
Nyssa Godwin, Alderwoman	July - June	3,250
Craig Burghdoff, Alderman	July - June	3,250
Keith Ardoin, Alderman	July - June	<u>3,250</u>
		<u>\$ 30,450</u>

TOWN OF KROTZ SPRINGS, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head Name: Carroll Snyder, Mayor

Purpose	Amount
Salary	0
Benefits-insurance	0
Benefits-retirement	0
Benefits-other	0
Car allowance	2,200
Vehicle provided by government	0
Per diem	12,000
Reimbursements	1,000
Travel	0
Registration fees	0
Conference travel	343
Continuing professional education fees	0
Housing	0
Unvouchered expenses*	0
Special meals	0

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Retired:
Conrad O. Chapman, CPA* 2006

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Krotz Springs, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Krotz Springs, Louisiana's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Breaux Bridge, Louisiana
December 12, 2017

TOWN OF KROTZ SPRINGS, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Years Ended June 30, 2017 and 2016

I. Prior year Findings:

Internal Control Over Financial Reporting

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

Compliance:

There were no compliance findings to be reported.

Management Letter:

There were no management letter items to be reported.

II. Current Year Findings and Management Corrective Action Plan:

Internal Control Over Financial Reporting

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

Compliance:

There were no compliance findings to be reported.

Management Letter:

There were no management letter items to be reported.

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

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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WWW.KCSRCPAS.COM

* A Professional Accounting Corporation

Retired:

Conrad O. Chapman, CPA* 2006

To the Management of Town of Krotz Springs,

We have performed the procedures enumerated below, which were agreed to by the management of Town of Krotz Springs and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Town of Krotz Springs' compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of Town of Krotz Springs 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, except that the written policies and procedures do not include payroll processing.

- 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 and address the functions noted above.

- 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 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).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not reference or include monthly budget-to-actual comparisons for the major funds.

- 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.

There was no deficit spending during the year.

- 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.)

Obtained and reviewed the minutes of the managing board for the fiscal period noting that there were references to 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;

No exceptions noted.

- 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 no evidence of board member 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.

Obtained bank statements and reconciliations for all months in the fiscal period noting that there is no documentation by management of research for items that have been outstanding for more than 6 months

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.

Written documentation was obtained and persons responsible for collecting cash are bonded; persons responsible for collecting cash do not record transactions, reconcile the bank account or share a cash drawer. However, persons collecting cash are responsible for depositing cash in the bank.

- 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.

No exceptions noted.

- 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.

There was one exception where a collection date containing three deposits was not deposited until 3 business days after the collection date.

- 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.

No exceptions noted.

- 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.

Purchase orders are not used by the Town of Krotz Springs.

- 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 no indication of approval of invoices. The board approves invoices monthly; however, the list of invoices approved was not kept on file. The mayor signs all checks; therefore, his approval is inferred based on his signature.

- 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 an invoice, but no approval was documented. Purchase orders and receiving reports were not present in the supporting documentation for any disbursements.

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.

The person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system.

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 do not prohibit the person with authority over disbursements from initiating or recording purchases.

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 blank check stock is not adequately secured/restricted.

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.

Town of Krotz Springs does not have a signature stamp/machine.

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 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.

Listing was obtained, noting only 1 credit card for Town of Krotz Springs. This 1 credit card was tested.

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:

- 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, except that no approval of supporting documentation was noted.

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

Finance charge was assessed. Amount was insignificant.

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.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained

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. No amounts listed 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.

No exceptions noted.

- 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.

Documentation was not reviewed and approved in writing by someone independent of the person receiving the reimbursement.

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.

Listing of all contracts in effect and management's representation that the listing is complete was obtained

- 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, except that a formal written contract does not exist for one contract.

- 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 exceptions noted.

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

Town of Krotz Springs did not obtain quotes as a best practice for one contract.

- 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.

There were no amendments to the contracts tested.

- 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 exceptions 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).

Proper approval noted, except that there was no documentation in the board minutes of board approval for 2 contracts.

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:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained

- 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 related to payroll taxes. We noted delinquent retirement filings and payments for 7 months in one retirement system and 3 months in another retirement system. The number of days delinquent in all instance was not significant.

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.

We noted 2 of the 5 individuals tested did not have a recent ethics training certificate on file.

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.

Town of Krotz Springs did not issue debt during the fiscal period.

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.

No exceptions noted.

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.

Town of Krotz Springs does not have tax millages related to debt service.

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 but were not posted on the entity's 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 Town of Krotz Springs 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

Breaux Bridge, Louisiana
December 12, 2017