

CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2018

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1234 David Dr. Ste. 203
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable Mike Kloesel, Mayor,
and Members of the City Council
City of Kaplan, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedules of employer's share of net pension liabilities, and the schedules of employer contributions on pages 47 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan, Louisiana's basic financial statements. The other supplementary information on pages 59 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2018 on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kaplan, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 16, 2018

BASIC FINANCIAL STATEMENTS

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 1,114,911	\$ 2,695,527	\$ 3,810,438
Receivables, net	9,010	1,091,348	1,100,358
Due from other governmental units	121,444	-	121,444
Restricted assets:			
Cash and interest-bearing deposits	-	688,603	688,603
Capital assets:			
Non-depreciable	165,174	179,309	344,483
Depreciable, net	8,641,301	10,430,995	19,072,296
Total assets	<u>10,051,840</u>	<u>15,085,782</u>	<u>25,137,622</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>334,771</u>	<u>214,308</u>	<u>549,079</u>
LIABILITIES			
Accounts and other payables	186,332	358,169	544,501
Compensated absences payable	12,416	17,419	29,835
Internal balances	(15,618)	15,618	-
Customer deposits payable	-	391,305	391,305
Accrued interest	8,457	5,353	13,810
Long-term liabilities:			
Due within one year	108,000	126,000	234,000
Due in more than one year	836,000	1,011,000	1,847,000
Net pension liability	970,794	560,992	1,531,786
Total liabilities	<u>2,106,381</u>	<u>2,485,856</u>	<u>4,592,237</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>126,221</u>	<u>24,024</u>	<u>150,245</u>
NET POSITION			
Net investment in capital assets	7,862,475	9,473,304	17,335,779
Restricted for:			
Debt service	117,118	291,945	409,063
Sales tax dedications	487,168	-	487,168
Unrestricted	(312,752)	3,024,961	2,712,209
Total net position	<u>\$ 8,154,009</u>	<u>\$ 12,790,210</u>	<u>\$ 20,944,219</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2018

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,142,222	\$ 220,060	\$ 1,056	\$ 5,000	\$ (916,106)	\$ -	\$ (916,106)
Public safety:							
Police	1,013,739	54,087	89,118	-	(870,534)	-	(870,534)
Fire	476,766	-	65,724	-	(411,042)	-	(411,042)
Streets	502,424	-	-	-	(502,424)	-	(502,424)
Culture and recreation	111,547	-	-	-	(111,547)	-	(111,547)
Interest on long-term debt	27,809	-	-	-	(27,809)	-	(27,809)
Total governmental activities	<u>3,274,507</u>	<u>274,147</u>	<u>155,898</u>	<u>5,000</u>	<u>(2,839,462)</u>	<u>-</u>	<u>(2,839,462)</u>
Business-type activities:							
Electric	3,538,823	4,966,295	-	-	-	1,427,472	1,427,472
Gas	628,568	700,526	-	-	-	71,958	71,958
Water	593,514	662,941	-	-	-	69,427	69,427
Sewerage	790,398	644,461	-	-	-	(145,937)	(145,937)
Interest on long-term debt	44,065	-	-	-	-	(44,065)	(44,065)
Total business-type activities	<u>5,595,368</u>	<u>6,974,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,378,855</u>	<u>1,378,855</u>
Total	<u>\$ 8,869,875</u>	<u>\$ 7,248,370</u>	<u>\$ 155,898</u>	<u>\$ 5,000</u>	<u>(2,839,462)</u>	<u>1,378,855</u>	<u>(1,460,607)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					78,563	-	78,563
Property taxes, levied for bond retirement					113,829	-	113,829
Sales and use taxes, levied for general purposes					651,890	-	651,890
Franchise taxes					27,039	-	27,039
Beer taxes					9,318	-	9,318
Interest and investment earnings					1,355	10,607	11,962
Miscellaneous					58,634	29,162	87,796
Nonemployer pension contribution					34,177	16,142	50,319
Gain (loss) on disposal of capital assets					(14,848)	(9,968)	(24,816)
Transfers					1,714,902	(1,714,902)	-
Total general revenues and transfers					<u>2,674,859</u>	<u>(1,668,959)</u>	<u>1,005,900</u>
Change in net position					(164,603)	(290,104)	(454,707)
Net position, beginning					8,318,612	13,080,314	21,398,926
Net position, ending					<u>\$ 8,154,009</u>	<u>\$ 12,790,210</u>	<u>\$ 20,944,219</u>

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

FUND FINANCIAL STATEMENTS (FFS)

CITY OF KAPLAN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 72,597	\$ 433,665	\$ 172,548	\$ 678,810
Receivables:				
Due from other funds	56,218	100	3,244	59,562
Due from other governmental entities	7,902	113,542	-	121,444
Accrued interest receivable	-	263	97	360
Other receivables	<u>7,730</u>	<u>-</u>	<u>-</u>	<u>7,730</u>
Total assets	<u>\$ 144,447</u>	<u>\$ 547,570</u>	<u>\$ 175,889</u>	<u>\$ 867,906</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 84,179	\$ 35,402	\$ 4,590	\$ 124,171
Contract payable	45,564	-	-	45,564
Retainage payable	5,063	-	-	5,063
Salaries payable	11,534	-	-	11,534
Compensated absences payable	12,416	-	-	12,416
Due to other funds	<u>11,244</u>	<u>25,000</u>	<u>600</u>	<u>36,844</u>
Total liabilities	<u>170,000</u>	<u>60,402</u>	<u>5,190</u>	<u>235,592</u>
Fund balances:				
Restricted	-	487,168	125,575	612,743
Assigned	-	-	45,124	45,124
Unassigned	<u>(25,553)</u>	<u>-</u>	<u>-</u>	<u>(25,553)</u>
Total fund balances	<u>(25,553)</u>	<u>487,168</u>	<u>170,699</u>	<u>632,314</u>
Total liabilities and fund balances	<u>\$ 144,447</u>	<u>\$ 547,570</u>	<u>\$ 175,889</u>	<u>\$ 867,906</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds		\$	632,314
Capital assets net			8,806,475
Long-term liabilities:			
Bonds payable	(944,000)		
Net pension liability	(970,794)		
Accrued interest payable	<u>(8,457)</u>	(1,923,251)	
Deferred outflows of resources related to net pension liability			334,771
Deferred inflows of resources related to net pension liability			(126,221)
Net position of the internal service fund			<u>429,921</u>
Total net position of governmental activities		\$	<u><u>8,154,009</u></u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds

For the Year Ended June 30, 2018

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 78,563	\$ 651,890	\$ 113,829	\$ 844,282
Licenses and permits	220,060	-	-	220,060
Intergovernmental	104,492	-	65,724	170,216
Fines and forfeits	45,899	-	8,188	54,087
Interest income	-	1,279	76	1,355
Miscellaneous	84,295	-	1,354	85,649
Total revenues	<u>533,309</u>	<u>653,169</u>	<u>189,171</u>	<u>1,375,649</u>
Expenditures:				
Current -				
General government	770,008	284,874	-	1,054,882
Public safety:				
Police	960,383	-	16,893	977,276
Fire	292,010	-	76,768	368,778
Streets, bridges, and drainage	400,141	-	-	400,141
Culture and recreation	67,982	-	-	67,982
Capital outlay	50,627	173,397	-	224,024
Debt service -				
Principal retirement	-	-	104,000	104,000
Interest and fiscal charges	-	-	28,833	28,833
Total expenditures	<u>2,541,151</u>	<u>458,271</u>	<u>226,494</u>	<u>3,225,916</u>
(Deficiency) excess of revenues over expenditures	<u>(2,007,842)</u>	<u>194,898</u>	<u>(37,323)</u>	<u>(1,850,267)</u>
Other financing sources (uses):				
Transfers in	1,954,257	41,751	-	1,996,008
Transfers out	-	(281,106)	-	(281,106)
Total other financing sources (uses)	<u>1,954,257</u>	<u>(239,355)</u>	<u>-</u>	<u>1,714,902</u>
Net change in fund balances	(53,585)	(44,457)	(37,323)	(135,365)
Fund balances, beginning	<u>28,032</u>	<u>531,625</u>	<u>208,022</u>	<u>767,679</u>
Fund balances, ending	<u>\$ (25,553)</u>	<u>\$ 487,168</u>	<u>\$ 170,699</u>	<u>\$ 632,314</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances of governmental funds		\$ (135,365)
Capital assets:		
Capital outlay	\$ 224,024	
Depreciation expense	<u>(332,084)</u>	(108,060)
Transactions involving capital assets:		
Loss on disposal		(14,848)
Principal payments on long term debt		104,000
Change in accrued interest payable		1,024
Net revenue (expense) of the internal service fund		(12,074)
The effect of the change in net pension liability and deferred outflows/inflows of resources:		
Increase in pension expense	(33,457)	
Nonemployer pension contribution revenue recognized	<u>34,177</u>	<u>720</u>
Change in net position of governmental activities		<u>\$ (164,603)</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 2,695,527	\$ 436,101
Receivables:		
Accounts, net	590,381	-
Unbilled utility receivables	494,357	-
Accrued interest receivable	2,904	920
Due from other funds	8,400	-
Other	3,706	-
Total current assets	<u>3,795,275</u>	<u>437,021</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	688,603	-
Capital assets, net of accumulated depreciation	<u>10,610,304</u>	<u>-</u>
Total noncurrent assets	<u>11,298,907</u>	<u>-</u>
Total assets	<u>15,094,182</u>	<u>437,021</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	<u>214,308</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	350,272	-
Salaries payable	7,897	-
Compensated absences payable	17,419	-
Due to other funds	24,018	7,100
Payable from restricted assets -		
Revenue bonds	126,000	-
Accrued interest payable	5,353	-
Total current liabilities	<u>530,959</u>	<u>7,100</u>
Noncurrent liabilities:		
Customers' deposits payable	391,305	-
Revenue bonds	1,011,000	-
Net pension liability	560,992	-
Total noncurrent liabilities	<u>1,963,297</u>	<u>-</u>
Total liabilities	<u>2,494,256</u>	<u>7,100</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	<u>24,024</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	9,473,304	-
Restricted for debt service	291,945	-
Unrestricted	<u>3,024,961</u>	<u>429,921</u>
Total net position	<u>\$ 12,790,210</u>	<u>\$ 429,921</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Charges for services	\$ 6,974,223	\$ -
Operating expenses:		
Electricity department expenses	3,475,022	-
Gas department expenses	565,755	-
Water department expenses	461,041	-
Sewerage department expenses	471,276	-
Depreciation expense	578,209	-
Self insurance expenses	-	13,558
Total operating expenses	<u>5,551,303</u>	<u>13,558</u>
Operating (loss) income	<u>1,422,920</u>	<u>(13,558)</u>
Nonoperating revenues (expenses):		
Interest income	10,607	1,460
Franchise fee	29,162	-
Interest expense	(44,065)	-
Other income	-	24
Nonemployer pension contribution	16,142	-
Loss on disposal of assets	(9,968)	-
Total nonoperating revenues (expenses)	<u>1,878</u>	<u>1,484</u>
Income (loss) before transfers	1,424,798	(12,074)
Transfers in	281,106	-
Transfers out	<u>(1,996,008)</u>	<u>-</u>
Change in net position	(290,104)	(12,074)
Net position, beginning	<u>13,080,314</u>	<u>441,995</u>
Net position, ending	<u>\$ 12,790,210</u>	<u>\$ 429,921</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$ 6,825,402	\$ -
Receipts from insured	-	13,242
Payments to suppliers	(4,093,374)	(14,482)
Payments to employees	<u>(842,540)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,889,488</u>	<u>(1,240)</u>
Cash flows from noncapital financing activities:		
Franchise fees	29,162	-
Cash paid to other funds	649	-
Meter deposits, net of refunds	9,435	-
Other receipts	-	24
Transfers from other funds	281,106	-
Transfers to other funds	<u>(1,996,008)</u>	<u>-</u>
Net cash (used) provided by noncapital financing activities	<u>(1,675,656)</u>	<u>24</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds and notes	(122,000)	-
Interest and fiscal charges paid on bonds	(44,065)	-
Acquisition of capital assets	<u>(165,039)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(331,104)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds of interest-bearing deposits with maturity in excess of ninety days	2,362,491	435,092
Purchase of interest-bearing deposits with maturity in excess of ninety days	(2,351,296)	(435,092)
Interest on investments	<u>10,607</u>	<u>1,460</u>
Net cash provided by investing activities	<u>21,802</u>	<u>1,460</u>
Net change in cash and cash equivalents	(95,470)	244
Cash and cash equivalents, beginning of period	<u>1,112,053</u>	<u>765</u>
Cash and cash equivalents, end of period	<u>\$ 1,016,583</u>	<u>\$ 1,009</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2018

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,422,920	\$ (13,558)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for net pension liability	51,036	
Depreciation	578,209	-
Loss on disposal of assets	(9,968)	-
(Increase) decrease in current assets		
Accounts receivable, net	(100,071)	-
Unbilled utility receivables	(38,782)	-
Stop loss receivable	-	13,242
Increase (decrease) in current liabilities		
Accounts payable	(34,294)	-
Salaries payable	3,019	-
Claims payable	-	(924)
Compensated absences payable	17,419	-
Net cash provided (used) by operating activities	<u>\$ 1,889,488</u>	<u>\$ (1,240)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:		
Cash and cash equivalents, beginning of period -		
Cash and interest-bearing deposits - unrestricted	\$ 2,805,365	\$ 435,857
Cash and interest-bearing deposits - restricted	669,179	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,362,491)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,112,053</u>	<u>765</u>
Cash and cash equivalents, end of period -		
Cash and interest-bearing deposits - unrestricted	2,695,527	436,101
Cash and interest-bearing deposits - restricted	688,603	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,367,547)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,016,583</u>	<u>1,009</u>
Net change	<u>\$ (95,470)</u>	<u>\$ 244</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

Fund Financial Statements

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

The major funds of the City are described below:

Governmental Funds –

General Fund

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

Sales Tax Fund

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

Proprietary Fund –

Utility Fund

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

In addition, the City reports the following:

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

Program revenues

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

Allocation of indirect expenses

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

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

Cash and interest-bearing deposits

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Receivables

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Compensated Absences

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

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

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

Restricted Assets

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

Long-term debt

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

Equity Classification

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be spent only for specific purposes determined by a formal action of the council members. The council is the highest level of decision making authority for the City. Commitments may be established,

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

modified, or rescinded only through ordinances or resolutions approved by council members.

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

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

Fund balances are composed of the following:

	General Fund	Sales Tax Fund	Other Governmental Funds
Restricted:			
Tax dedications	\$ -	\$ 487,168	\$ -
Debt service	-	-	125,575
Assigned - public safety	-	-	45,124
Unassigned	<u>(25,553)</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>\$ (25,553)</u>	 <u>\$ 487,168</u>	 <u>\$ 170,699</u>

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

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

Interfund Transfers

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

F. Revenue Restrictions

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

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

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

G. Use of Estimates

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public.

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

(3) Cash and Interest-Bearing Deposits

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

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

Bank balances	<u>\$ 4,362,242</u>
Deposits are secured as follows:	
Federal deposit insurance	1,414,984
Uninsured and collateral held by the pledging bank, not in the City's name	<u>2,947,258</u>
Total	<u>\$ 4,362,242</u>

(4) Receivables

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

Current	\$ 564,542
31 - 60 days	8,610
60 - 90 days	9,819
Over 90 days	192,686
Less allowances for uncollectible accounts	<u>(185,276)</u>
Total	<u>\$ 590,381</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(5) Restricted Assets – Enterprise Fund

Restricted assets were applicable to the following:

Customers' deposits	\$ 392,662
Bond sinking fund account	38,392
Bond reserve fund	172,252
Bond renewal and replacement fund	<u>85,297</u>
 Total restricted assets	 <u>\$ 688,603</u>

(6) Capital Assets

Capital asset activity was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Construction in progress	-	50,627	-	50,627
Other capital assets:				
Buildings	2,995,505	-	44,898	2,950,607
Infrastructure	12,071,729	-	-	12,071,729
Equipment, furniture and fixtures	<u>2,562,757</u>	<u>173,614</u>	<u>409,990</u>	<u>2,326,381</u>
Totals	<u>17,744,538</u>	<u>224,241</u>	<u>454,888</u>	<u>17,513,891</u>
Less accumulated depreciation				
Buildings	1,054,446	79,003	38,973	1,094,476
Infrastructure	5,660,764	94,569	-	5,755,333
Equipment, furniture and fixtures	<u>2,100,162</u>	<u>158,512</u>	<u>401,067</u>	<u>1,857,607</u>
Total accumulated depreciation	<u>8,815,372</u>	<u>332,084</u>	<u>440,040</u>	<u>8,707,416</u>
Governmental activities, capital assets, net	<u>\$ 8,929,166</u>	<u>\$ (107,843)</u>	<u>\$ 14,848</u>	<u>\$ 8,806,475</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Other capital assets:				
Buildings and systems	23,263,484	39,490	27,339	23,275,635
Machinery and equipment	751,204	115,575	67,359	799,420
Automobiles	400,490	9,974	68,591	341,873
Total other capital assets	<u>24,594,487</u>	<u>165,039</u>	<u>163,289</u>	<u>24,596,237</u>
Less accumulated depreciation				
Buildings and systems	12,739,050	488,639	24,249	13,203,440
Machinery and equipment	605,982	38,807	67,354	577,435
Automobiles	209,730	50,763	55,435	205,058
Total accumulated depreciation	<u>13,554,762</u>	<u>578,209</u>	<u>147,038</u>	<u>13,985,933</u>
Business-type activities, capital assets, net	<u>\$ 11,039,725</u>	<u>\$ (413,170)</u>	<u>\$ 16,251</u>	<u>\$ 10,610,304</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 73,242
Police	29,699
Fire	95,263
Streets	90,315
Recreation	43,565
Total depreciation expense	<u>\$332,084</u>

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

Electric	\$ 63,801
Gas	62,813
Water	132,473
Sewer	319,122
Total depreciation expense	<u>\$578,209</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(7) Changes in Long-Term Debt

The following is a summary of long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable -					
General Obligation					
Bonds, Series 2005	\$ 152,000	\$ -	\$ (48,000)	\$ 104,000	\$ 51,000
General Obligation					
Bonds, Series 2015	<u>896,000</u>	<u>-</u>	<u>(56,000)</u>	<u>840,000</u>	<u>57,000</u>
Total governmental activities	<u>\$ 1,048,000</u>	<u>\$ -</u>	<u>\$ (104,000)</u>	<u>\$ 944,000</u>	<u>\$ 108,000</u>
Business-type activities:					
Utilities Revenue					
Refunding Bonds, Series 2011	<u>\$ 1,259,000</u>	<u>\$ -</u>	<u>\$ (122,000)</u>	<u>\$ 1,137,000</u>	<u>\$ 126,000</u>

Bonds payable are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$550,000 General Obligation Bonds, Series 2005, for the purpose of resurfacing and improving city streets, due in annual installments of \$23,000 to \$53,000 through March 1, 2020; at an interest rate of 4.15% (to be retired from the proceeds of ad valorem taxes)	\$ 104,000
\$1,000,000 General Obligation Bonds, Series 2015, due in annual installments of \$51,000 to \$84,000 through March 1, 2030; at interest rates of 2.00% to 2.75% (to be retired from the proceeds of ad valorem taxes)	<u>840,000</u>
Total general obligation bonds	<u>\$ 944,000</u>

Revenue Bonds:

\$1,849,000 Utilities Revenue Refunding Bonds, Series 2011, due in annual installments of \$42,000 to \$160,000 through June 1, 2026; interest rate of 3.5% (to be retired from operation of combined waterworks system, electric distribution system, sewerage system and natural gas transmission and distribution system)	<u>\$ 1,137,000</u>
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CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2019	\$ 108,000	\$ 25,722	\$ 126,000	\$ 39,796	\$ 299,518
2020	112,000	22,466	130,000	35,386	299,852
2021	61,000	19,086	135,000	30,836	245,922
2022	63,000	17,560	139,000	26,110	245,670
2023	66,000	15,986	144,000	21,246	247,232
2024 - 2028	368,000	53,348	463,000	32,796	917,144
2029 - 2030	166,000	6,876	-	-	172,876
	<u>\$ 944,000</u>	<u>\$ 161,044</u>	<u>\$ 1,137,000</u>	<u>\$ 186,170</u>	<u>\$ 2,428,214</u>

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions for the year ended June 30, 2018.

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

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

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

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Notes to Basic Financial Statements

amount equal to the Reserve Fund Requirement, which upon delivery of the Bonds was \$83,033.

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

All required transfers were made for the year.

(9) Employee Retirement

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

A. Municipal Employees' Retirement System of Louisiana

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

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

Plan Membership: The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System.

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

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

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

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

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service.
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused sick leave.

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.

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

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

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP

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funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of MERS has been terminated for at least one full year.

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

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

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

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017, the actual employer contribution rate was 11.00% of member's earnings for Plan B.

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

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The City reported a liability of \$1,125,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 1.301377%, which was an decrease of .040955% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$203,209 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$1,771.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 5,899	\$ 24,444
Change in assumption	49,578	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	5,163	23,775
Net differences between projected and actual earnings on plan investments	237,241	-
Contributions subsequent to the measurement date	<u>132,267</u>	<u>-</u>
Total	<u>\$ 430,148</u>	<u>\$ 48,219</u>

Deferred outflows of resources of \$132,267 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 102,148
2020	90,633
2021	46,210
2022	<u>10,671</u>
	<u>\$ 249,662</u>

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

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.4%, net of investment expense
Projected Salary Increases	5.0% (2.775% Inflation, 2.225% Merit)
Employee mortality	RP-2000 Employee Sex Distinct Table set back 2 years for males and females.
Annuitant/Beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	4 years for Plan B

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Rate Rate of Return</u>
Public equity	50%	2.30%
Public fixed income	35%	1.60%
Alternatives	<u>15%</u>	<u>0.70%</u>
Totals	<u>100%</u>	<u>4.60%</u>
Inflation		<u>2.60%</u>
Expected Arithmetic Nominal Return		<u>7.20%</u>

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of System’s actuary. Based on those assumptions, System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2017 is 4 years for Plan B.

Sensitivity to Changes in the Discount Rate: The following presents MERS’s net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employer’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	1% Decrease	Current Discount Rate 7.40%	1% Increase
Net Pension Liability	\$ 1,456,910	\$ 1,125,994	\$ 843,603

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B. Firefighters Retirement System of Louisiana

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

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

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a brief description of the plan and its benefits and is provided for general informational purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements: Any person who becomes an employee as defined in R.S. 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time firefighters (or any person in a position as defined in the municipal fire and police civil service system) who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System.

No person who has attained age 50 or over shall become a member of the System unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 years shall become a member of the System.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits there from may become a member of System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Retirement Benefits: Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay

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

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits in the form of a joint and survivor annuity.

Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement.

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

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

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

Upon commencement of participation in DROP, employer and employee contributions to the System cease. The monthly retirement benefits that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit.

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

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

Cost of Living Adjustments (COLAs): Under the provisions of R.S. 11:246 and 11:2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a

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2% increase in their original benefit. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to 11:241, the board may also grant an increase in the form of "X x (A+B)," where "X" is any amount up to \$1 per month, and "A" is equal to the number of years of credited service accrued at retirement or at death of the member or retiree, and "B" is equal to the number of years since retirement or since death of the member or retiree to June 30th of the initial year of such increase.

Employer Contributions: Employer contributions are actuarially determined each year. For the year ended June 30, 2017, employer and employee contributions for members above the poverty line were 25.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 27.25% and 8.0%, respectively.

Non-employer Contributions: The System receives insurance premium tax funds from the State of Louisiana. The tax is considered support from a non-employer 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, 2017 and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The City reported a liability of \$405,792 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportionate share was .070796%, which was an increase of .007923% from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$55,358 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, of \$871.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 22,630
Change in assumptions	16,972	97
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	21,904	79,299
Net differences between projected and actual earnings on plan investments	34,910	-
Contributions subsequent to the measurement date	<u>45,145</u>	<u>-</u>
Total	<u>\$ 118,931</u>	<u>\$ 102,026</u>

Deferred outflows of resources of \$45,145 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 165
2020	7,156
2021	(9,368)
2022	(14,745)
2023	(6,605)
2024	<u>(4,843)</u>
	<u>\$ (28,240)</u>

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

A summary of the actuarial methods and assumptions used in determining the total pension liability of the System as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years

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Actuarial Assumptions:

Investment Rate of Return	7.4% per annum (net of investment expenses, including inflation) (decreased from 7.50% in 2016)
Projected Salary Increases	Vary from 15.0% in the first two years of service to 4.75% with 25 or more years of service; includes inflation and merit increases
Inflation Rate	2.775% per annum (decreased from 2.875% in 2016)
Cost of Living Adjustments	Only those previously granted

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disables annuitants. Setbacks in these tables were used to approximate mortality improvement.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity:		
U.S. Equity	27%	6.15%
Non-U.S. Equity	20%	7.45%
Global Equity	10%	6.85%
Fixed income	23%	2.04%
Alternatives:		
Real Estate	6%	4.62%
Private Equity	4%	8.73%
Multi-Asset Strategies:		
Global Tactical Asset Allocation	5%	4.40%
Risk Parity	<u>5%</u>	4.79%
	<u>100%</u>	

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The discount rate used to measure the total pension liability was 7.4%. 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 the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.4%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.4%), or one percentage point higher (8.4%) than the current rate.

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Net Pension Liability	\$ 583,107	\$ 405,792	\$ 256,733

(10) Deficit fund balance

The General Fund had a deficit fund balance at June 30, 2018 of \$25,553. The deficit will be financed through future revenues of the fund.

(11) Litigation and Claims

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

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

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

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

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

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Benefits- retirement	4,380
Car allowance	7,200
Registration fees	300
Other - cell phone	<u>1,975</u>
Total	<u>\$ 37,855</u>

(13) Compensation of City Officials

A detail of compensation paid to the City Council follows:

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

(14) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$40,000 per individual per year of coverage provided by the program. Effective February 2017, the City discontinued its self insurance activity. Up to that date all funds of the City participated in the program and made payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. Claims liability of \$0 was reported in the Group Insurance Fund. The liability is reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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

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(15) Reconciliation of Claims Liabilities

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning	\$ 924	\$ 96,560
Claims incurred	(860)	(3,369)
Claims payments	<u>(64)</u>	<u>(92,267)</u>
Unpaid claims, ending	<u>\$ -</u>	<u>\$ 924</u>

(16) Interfund Transactions

Interfund balances consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 56,218	\$ 11,244
Sales Tax Fund	100	25,000
Enterprise fund	8,400	24,018
Other Governmental Funds	3,244	600
Internal service fund	<u>-</u>	<u>7,100</u>
Total	<u>\$ 67,962</u>	<u>\$ 67,962</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,954,257	\$ -
Sales Tax Fund	41,751	281,106
Enterprise fund	<u>281,106</u>	<u>1,996,008</u>
Total	<u>\$ 2,277,114</u>	<u>\$ 2,277,114</u>

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

(17) On-behalf Payments

The City has recognized \$89,118 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 77,385	\$ 77,385	\$ 78,563	\$ 1,178
Licenses and permits	158,365	110,865	220,060	109,195
Intergovernmental	13,500	13,500	104,492	90,992
Fines and forfeitures	22,000	49,500	45,899	(3,601)
Miscellaneous	63,000	83,000	84,295	1,295
Total revenues	<u>334,250</u>	<u>334,250</u>	<u>533,309</u>	<u>199,059</u>
Expenditures:				
Current -				
General government	707,190	684,190	770,008	(85,818)
Public safety:				
Police	821,760	821,760	960,383	(138,623)
Fire	275,400	275,400	292,010	(16,610)
Streets, bridges, and drainage	393,250	393,250	400,141	(6,891)
Culture and recreation	36,650	59,650	67,982	(8,332)
Capital outlay	-	-	50,627	(50,627)
Total expenditures	<u>2,234,250</u>	<u>2,234,250</u>	<u>2,541,151</u>	<u>(306,901)</u>
Deficiency of revenues over expenditures	(1,900,000)	(1,900,000)	(2,007,842)	(107,842)
Other financing sources:				
Transfers in	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,954,257</u>	<u>54,257</u>
Net change in fund balance	-	-	(53,585)	(53,585)
Fund balance, beginning	<u>28,032</u>	<u>28,032</u>	<u>28,032</u>	<u>-</u>
Fund balance, ending	<u>\$ 28,032</u>	<u>\$ 28,032</u>	<u>\$ (25,553)</u>	<u>\$ (53,585)</u>

CITY OF KAPLAN, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 630,000	\$ 594,000	\$ 651,890	\$ 57,890
Interest income	<u>1,500</u>	<u>1,500</u>	<u>1,279</u>	<u>(221)</u>
Total revenues	<u>631,500</u>	<u>595,500</u>	<u>653,169</u>	<u>57,669</u>
Expenditures:				
Current -				
General government	94,250	173,000	284,874	(111,874)
Capital outlay	<u>237,250</u>	<u>222,500</u>	<u>173,397</u>	<u>49,103</u>
Total expenditures	<u>331,500</u>	<u>395,500</u>	<u>458,271</u>	<u>(62,771)</u>
Excess of revenues over expenditures	<u>300,000</u>	<u>200,000</u>	<u>194,898</u>	<u>(5,102)</u>
Other financing sources (uses):				
Transfers in	-	-	41,751	41,751
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(281,106)</u>	<u>18,894</u>
Net change in fund balance	-	(100,000)	(44,457)	55,543
Fund balance, beginning	<u>531,625</u>	<u>531,625</u>	<u>531,625</u>	<u>-</u>
Fund balance, ending	<u>\$ 531,625</u>	<u>\$ 431,625</u>	<u>\$ 487,168</u>	<u>\$ 55,543</u>

CITY OF KAPLAN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

The General Fund and Sales Tax Fund reported excess expenditures over appropriations.

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2018

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.322423%	\$ 620,873	\$ 935,008	66.4%	76.94%
2016	1.358310%	\$ 923,171	\$ 957,477	96.4%	68.71%
2017	1.342332%	\$ 1,112,670	\$ 986,226	112.8%	63.34%
2018	1.301377%	\$ 1,125,994	\$ 965,953	116.6%	63.49%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
Municipal Employees' Retirement System - Plan B
For the Year Ended June 30, 2018

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 90,960	\$ 90,960	\$ -	\$ 957,477	9.50%
2016	\$ 93,691	\$ 93,691	\$ -	\$ 986,226	9.50%
2017	\$ 106,255	\$ 106,255	\$ -	\$ 965,953	11.00%
2018	\$ 131,456	\$ 131,456	\$ -	\$ 993,430	13.23%

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
 Firefighters' Retirement System
 For the Year Ended June 30, 2018

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.072949%	\$ 324,617	\$ 163,526	198.5%	76.02%
2016	0.079951%	\$ 431,505	\$ 167,637	257.4%	72.45%
2017	0.078719%	\$ 514,893	\$ 174,878	294.4%	68.16%
2018	0.070796%	\$ 405,792	\$ 161,044	252.0%	73.55%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions
 Firefighters' Retirement System
 For the Year Ended June 30, 2018

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 49,034	\$ 49,034	\$ -	\$ 167,637	29.25%
2016	\$ 51,152	\$ 51,152	\$ -	\$ 174,878	29.25%
2017	\$ 42,315	\$ 42,315	\$ -	\$ 161,044	26.28%
2018	\$ 44,886	\$ 44,886	\$ -	\$ 166,853	26.90%

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

CITY OF KAPLAN, LOUISIANA

Notes to Retirement System Schedules

(1) Retirement Systems

A. Municipal Employees' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2018.
- 2) Changes of assumptions – Changes of assumptions for the year ended June 30, 2018 were as follows for valuation date June 30, 2017:
 - a) Investment rate of return used was 7.40%, a decrease from 7.50% in 2016.
 - b) Inflation rate used was 2.775%, a decrease from 2.875% in 2016.

B. Firefighters' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2018.
- 2) Changes of assumptions – Changes of assumptions for the year ended June 30, 2018 were as follows for valuation date June 30, 2017:
 - a) Investment rate of return used was 7.4%, a decrease from 7.5% in 2016.
 - b) Inflation rate used was 2.775%, a decrease from 2.875% in 2016.

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fire Protection Fund -

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

Police Special Fund -

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

Capital Projects Fund

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

Debt Service Fund

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

General Obligation Bonds Series 2005 and 2015

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

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2018

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Totals</u>
	<u>Fire Protection Fund</u>	<u>Police Special Fund</u>	<u>General Obligation Bonds Fund</u>	<u>Capital Projects Fund</u>	
ASSETS					
Cash and interest -bearing deposits	\$ 39,497	\$ 7,386	\$ 125,565	\$ 100	\$ 172,548
Due from other funds	3,244	-	-	-	3,244
Accrued interest receivable	<u>87</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>97</u>
Total assets	<u>\$ 42,828</u>	<u>\$ 7,386</u>	<u>\$ 125,575</u>	<u>\$ 100</u>	<u>\$ 175,889</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,590	\$ -	\$ -	\$ -	\$ 4,590
Due to other funds	<u>-</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>600</u>
Total liabilities	<u>4,590</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>5,190</u>
Fund balances:					
Restricted	-	-	125,575	-	125,575
Assigned	<u>38,238</u>	<u>6,886</u>	<u>-</u>	<u>-</u>	<u>45,124</u>
Total fund balances	<u>38,238</u>	<u>6,886</u>	<u>125,575</u>	<u>-</u>	<u>170,699</u>
Total liabilities and fund balances	<u>\$ 42,828</u>	<u>\$ 7,386</u>	<u>\$ 125,575</u>	<u>\$ 100</u>	<u>\$ 175,889</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2018

	Special Revenue		Debt Service		Totals
	Fire Protection Fund	Police Special Fund	General Obligation Bonds Fund	Capital Projects Fund	
Revenues:					
Taxes	\$ -	\$ -	\$ 113,829	\$ -	\$ 113,829
Intergovernmental	65,724	-	-	-	65,724
Fines and forfeits	-	8,188	-	-	8,188
Interest income	-	-	76	-	76
Miscellaneous	1,354	-	-	-	1,354
Total revenues	<u>67,078</u>	<u>8,188</u>	<u>113,905</u>	<u>-</u>	<u>189,171</u>
Expenditures:					
Public safety -					
Police	-	16,893	-	-	16,893
Fire	76,768	-	-	-	76,768
Debt service -					
Principal retirement	-	-	104,000	-	104,000
Interest and fiscal charges	-	-	28,833	-	28,833
Total expenditures	<u>76,768</u>	<u>16,893</u>	<u>132,833</u>	<u>-</u>	<u>226,494</u>
Deficiency of revenues over expenditures	(9,690)	(8,705)	(18,928)	-	(37,323)
Fund balances, beginning	<u>47,928</u>	<u>15,591</u>	<u>144,503</u>	<u>-</u>	<u>208,022</u>
Fund balances, ending	<u>\$ 38,238</u>	<u>\$ 6,886</u>	<u>\$ 125,575</u>	<u>\$ -</u>	<u>\$ 170,699</u>

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers and Rates
June 30, 2018 and 2017

Records maintained by the City indicated the following number of customers were being serviced during the month of June 30, 2018 and 2017.

<u>Department</u>	<u>2018</u>	<u>2017</u>
Electric (metered)	2,381	2,398
Gas (metered)	1,568	1,620
Water (metered)	2,351	2,390
Sewerage	2,154	2,186

The monthly water rates of the City are as follows:

Residential - Within corporation limits	
Minimum charge	\$10.00
Additional gallons in excess of 2,000	\$2.75 per 1000 gallons
Residential - Outside corporation limits	\$14.50
Minimum charge	\$3.75 per 1000 gallons
Additional gallons in excess of 2,000	
Commercial (minimum charge)	\$16.00
Additional gallons in excess of 4,000	\$2.75 per 1000 gallons
Industrial (minimum charge)	\$150.00
Additional gallons in excess of 40,000	\$2.75 per 1000 gallons

The monthly sewer rates of the City are as follows:

Residential (minimum charge)	\$12.00
Additional gallons in excess of 2,000	\$3.00 per 1000 gallons
Commercial (minimum charge)	\$15.00
Additional gallons in excess of 2,000	\$3.00 per 1000 gallons
Industrial (minimum charge)	\$25.50
Additional gallons in excess of 2,000	\$3.25 per 1000 gallons

CITY OF KAPLAN, LOUISIANA

Enterprise Fund

Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2018 and 2017

	Electricity		Gas		Water		Sewerage		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenues:										
Customers service charges	<u>\$4,966,295</u>	<u>\$5,003,539</u>	<u>\$ 700,526</u>	<u>\$ 456,041</u>	<u>\$662,941</u>	<u>\$488,072</u>	<u>\$ 644,461</u>	<u>\$ 477,736</u>	<u>\$6,974,223</u>	<u>\$6,425,388</u>
Operating expenses:										
Salaries	246,646	199,082	146,741	126,649	124,039	116,753	105,576	90,618	623,002	533,102
Benefit payments:										
Payroll taxes	18,445	14,850	9,625	9,377	9,216	8,655	7,914	6,687	45,200	39,569
Retirement	56,893	39,369	29,222	23,842	21,058	17,447	9,761	12,539	116,934	93,197
Insurance - Employees	44,530	35,900	29,141	29,017	22,606	24,105	12,163	20,565	108,440	109,587
Insurance	58,270	53,678	44,865	38,544	34,760	31,685	21,331	17,527	159,226	141,434
Electricity and gas purchased	2,865,001	2,879,287	222,355	196,648	-	-	-	-	3,087,356	3,075,935
Operating supplies	7,665	6,056	12,655	8,745	87,949	57,580	37,779	23,173	146,048	95,554
Office expenses	10,891	10,320	1,955	2,380	1,910	1,418	3,054	989	17,810	15,107
Professional fees	251	246	2,555	8,148	5,900	6,051	2,967	8,427	11,673	22,872
Repairs and maintenance	109,037	53,777	55,968	219,626	50,168	74,650	177,653	84,619	392,826	432,672
Telephone and utilities	2,470	2,477	1,034	785	95,395	79,405	74,485	61,399	173,384	144,066
Bad debt expense	11,283	13,859	973	1,153	1,352	1,177	1,250	1,222	14,858	17,411
Depreciation	63,801	56,187	62,813	63,104	132,473	137,878	319,122	335,186	578,209	592,355
Miscellaneous	<u>43,640</u>	<u>23,566</u>	<u>8,666</u>	<u>88,925</u>	<u>6,688</u>	<u>5,215</u>	<u>17,343</u>	<u>4,721</u>	<u>76,337</u>	<u>122,427</u>
Total operating expenses	<u>3,538,823</u>	<u>3,388,654</u>	<u>628,568</u>	<u>816,943</u>	<u>593,514</u>	<u>562,019</u>	<u>790,398</u>	<u>667,672</u>	<u>5,551,303</u>	<u>5,435,288</u>
Net operating income (loss)	<u>\$1,427,472</u>	<u>\$1,614,885</u>	<u>\$ 71,958</u>	<u>\$(360,902)</u>	<u>\$ 69,427</u>	<u>\$(73,947)</u>	<u>\$(145,937)</u>	<u>\$(189,936)</u>	<u>\$1,422,920</u>	<u>\$ 990,100</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr. Ste. 203
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

The Honorable Mike Kloesel, Mayor
and Members of the City Council
City of Kaplan, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency

described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2018-004 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2018-001 and 2018-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2018-005 and 2018-006.

City of Kaplan, Louisiana's Response to Findings

City of Kaplan, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. City of Kaplan, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 16, 2018

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended June 30, 2018

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

A. Internal Control Over Financial Reporting

2018-001 Inadequate Segregation of Accounting Functions

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

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

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

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Mike Kloesel, Mayor, has reassigned some of the accounting duties.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2018

2018-002 Application of Generally Accepted Accounting Principles (GAAP)

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

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

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

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

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

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

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

2018-003 Internal controls over tax millage billings

CONDITION: The City over billed citizens for property taxes in 2017.

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2018

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

CAUSE: The City had reduced the millage from 6.11 mills in 2016 to 4.12 mills for 2017 tax roll. However, the rate change was not updated in the software and bills were mailed out based on the prior year millage rate of 6.11 mills.

EFFECT: Failure to have proper controls in place to ensure effective and efficient operations increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management needs to ensure proper controls are in place to make sure that rate changes are updated properly and timely.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The City has adopted a resolution to reduce the millage to 2.2 mills for the 2018 tax roll to account for the over assessment in 2017. Management will make sure proper controls are in place to ensure that rate changes are updated properly and timely in the future.

2018-004 Inadequate documentation and/or lack of supporting documentation over payroll

CONDITION: During performance of disbursement test for payroll, it was noted that the support for pay change in the personnel file for the City Clerk does not match the pay rate input in the payroll system. Support for the rate paid to the City Clerk could not be obtained.

CRITERIA: AU§325.05, Communicating Internal Control Related Matters Identified in an Audit, states, in part:

“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 deficiency in design exists when:

- A control necessary to meet the control objectives is missing, or

CITY OF KAPLAN, LOUISIANA

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- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met."

CAUSE: The City did not maintain proper supporting documentation of the authorized pay rate for the City Clerk.

EFFECT: Use of incorrect pay rate could possibly lead to overpayment and could constitute a prohibited donation of public funds and/or payment of a thing not due. The Louisiana Constitution, Article VII, Section 14 provides that funds, property or things of value of the State or of any political subdivision, shall not be donated to any person. In addition, the Louisiana Civil Code provides for cases involving "payment of a thing not due". Civil Code Article 2299 provides that "a person who has received a payment or a thing not owed to him/her is bound to restore it to the person from whom he/she received it."

RECOMMENDATION: Management needs to ensure proper controls are in place to make sure that each employee's personnel file has the proper support for each employee's authorized rate of pay.

MANGEMENT'S CORRECTIVE ACTION PLAN: Management will ensure that proper records are maintained for each employee and management will monitor the payroll records thoroughly.

B. Compliance and other matters

2018-005 Budget noncompliance

CONDITION: Expenditures of the General Fund and Sales Tax Fund exceeded budgeted expenditures by more than 5%

CRITERIA: LSA-RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

"A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures.

The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

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- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other source by five percent
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures."

CAUSE: The condition is a result of failure to properly monitor the expenditures of the City.

EFFECT: The City may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will properly monitor the City's monthly expenditures to make sure the City remains within its fiscal budget.

2018-006 Bid law noncompliance

CONDITION: The City purchased a vehicle for \$12,000, but did not properly follow LSA-R.S. 38:2212.1A(1)(b). In addition, the City purchased a kiosk at a price of \$35,224 and did not properly follow LSA-R.S. 38:2212.1A(1)(a).

CRITERIA: LSA-R.S. 38:2212.1 Advertisement and letting to lowest responsible bidder; materials and supplies states:

"A.(1)(a) All purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part."

"A.(1)(b) Purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three

CITY OF KAPLAN, LOUISIANA

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telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file.”

CAUSE: The City failed to advertise for bids for the purchase of the kiosk. In addition, the City did not obtain proper quotes for the purchase of the vehicle.

EFFECT: Failure to obtain bids or quotes for purchases exceeding bid law thresholds places the City of Kaplan in violation of the State's public bid law statutes.

RECOMMENDATION: Management should comply with the requirements of LSA RS 38:2212.1 by advertising for bids and obtaining the required bids and/or quotes, as applicable, to ensure compliance with the bid law.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will ensure that they comply with the requirements of LSA RS 38:2212.1 by advertising for bids and obtaining quotes for purchases exceeding bid law thresholds.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Functions

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

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

CURRENT STATUS: Unresolved. See item 2018-001.

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings
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RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2018-002.

B. Compliance

2017-003 Budget noncompliance

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

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

CURRENT STATUS: Resolved.

2017-004 Malfeasance in office and felony theft

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

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

CURRENT STATUS: Resolved.

CITY OF KAPLAN
Kaplan, Louisiana

Agreed-Upon Procedures Report

Year Ended June 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1234 David Dr. Ste. 203
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mike Kloesel, Mayor
and Members of City Council
City of Kaplan, and The Louisiana
Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City of Kaplan (City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

- 2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) We observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, we observed that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

- c) For governmental entities, we obtained the prior year audit report and we observed the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, we observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

- 3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the entity's main operating account. We selected the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, we obtained and inspected the corresponding bank statement and reconciliation for selected each account, and observed that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

- 4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), we obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and we observed that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). Alternately, we used a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. We obtained supporting documentation for each of the 10 deposits and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Traced the actual deposit per the bank statement to the general ledger.

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

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and we observed that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and we obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
- a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and we obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
- a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- b) Observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulate leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above we obtained ethics documentation from management, and:
- a. Observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

Other

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. We observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

In accordance with the Statewide Agreed-Upon Procedures, certain categories may be excluded from testing. Therefore, the following categories were not tested this year: Bank Reconciliations, Credit/Debit/Fuel Cards, Payroll and Personnel, Ethics, Debt Service, and Other.

No exceptions were found as a result of applying procedures listed above except:

Board (Finance Committee, if applicable):

The board minutes for monthly meetings made no reference to monthly budget-to-actual comparisons.

Collections:

The employees that are responsible for cash collections share cash drawers/registers with another employee.

The employee responsible for collecting cash is also responsible for preparing/making bank deposits.

The employee responsible for collecting cash is also responsible for posting collections to the general ledger.

46 of the 402 receipts tested were deposited 3 days after the date of collection.

288 of the 402 receipts tested were deposited 2 days after the date of collection.

Disbursements:

3 of the 5 disbursements tested did not have at least two employees involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Written policies and procedures do not address that the employee responsible for processing payments is prohibited from adding/modifying vendor files and another employee is not responsible for periodically reviewing changes to vendor files.

The employee/official responsible for signing checks gives the signed checks to an employee who is responsible for processing payments.

1 of the 5 disbursements tested did not have an original invoice/billing statement.

Travel and Expense Reimbursement:

1 of the 5 reimbursements tested did not have an original itemized receipt that identifies precisely what was purchased.

3 of the 5 reimbursements tested did not have support of the business/public purpose.

1 of the 5 reimbursements tested did not have documentation including the names of those individuals participating for meals charged.

4 of the 5 reimbursements tested did not have support of review and approval in writing by someone other than the person receiving reimbursement.

Management's Response:

Management of the City of Kaplan concurs with the exceptions and are working to address the deficiencies identified.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 16, 2018