

Town of Kinder, Louisiana

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2018

Royce T. Scimemi, CPA, APAC
Oberlin, LA

Town of Kinder, Louisiana

TABLE OF CONTENTS

	Pages
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	4-11
INDEPENDENT AUDITORS' REPORT	12-13
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of Net Position	16
Statement of Activities	17
FUND FINANCIAL STATEMENTS (FFS)	
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
NOTES TO BASIC FINANCIAL STATEMENTS	27-45
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund:	
Budgetary Comparison Schedule	47
Special Revenue Funds:	
DMV Fund:	
Budgetary Comparison Schedule	48
Gaming Fund:	
Budgetary Comparison Schedule	49
HUD Fund:	
Budgetary Comparison Schedule	50
Sales Tax Fund:	
Budgetary Comparison Schedule	51
General Fund:	
Departmental Expenditures - Budgetary Comparison Schedules	
General and Administrative	52
Street Department	52
Police Department	53

Town of Kinder, Louisiana

TABLE OF CONTENTS-CONTINUED

Schedule of Town's Proportionate Share of Net Pension Liability-MPERS	54
Schedule of Town's Contributions to MPERS	55
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	56
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Number of Utility Customers (Unaudited)	58
Schedule of Insurance in Force (Unaudited)	59
Schedule of Compensation Paid to Mayor and Council Members	59
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	60
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	62-63
SCHEDULE OF FINDINGS AND RESPONSES	64
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS AND RESPONSES (UNAUDITED)	65
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	66

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Within this section of the Town of Kinder, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$10,196,013 (net position) for the fiscal year reported.
- Total revenues of \$3,653,431 were exceeded by total expenses of \$4,186,403 which resulted in a current year deficit of \$532,972. In comparison, for the previous year ended June 30, 2017, the Town's total revenues of \$3,631,919 were exceeded by its total expenses of \$3,794,516, yielding a deficit of \$162,597.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$6,858,722 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. In comparison, as of June 30, 2017, the Town's net capital assets were \$7,775,210.
 - (2) For the fiscal years ended June 30, 2018 and 2017, respectively, net position of \$3,721,025 and \$3,097,821 were restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position, representing the portion of net position available to maintain the Town's continuing obligations to citizens and creditors, amounted to deficits of \$383,734 and \$144,046 for the fiscal years ended June 30, 2018 and 2017, respectively.
- The Town's governmental funds reported a total ending fund balance of \$3,541,229 this year. This compares to the prior year ending fund balance of \$3,116,416, reflecting an increase of \$424,813 during the current year. For the prior year ended June 30, 2017, an increase of \$229,227 was reported in the total ending fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$97,817, or 5% of total General Fund expenditures and 6% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2017, unassigned fund balance for the General Fund was \$185,134, or 10% of total General Fund expenditures and 10% of total General Fund revenues including other financing sources.
- Overall, the Town's financial position deteriorated slightly in the current year but the Town continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Town's basic financial statements, which include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Town's assets and deferred outflows of resources minus liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base and the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales and ad valorem taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities principally include general government, public safety and streets. Business-type activities include the gas, water and sewer systems.

The government-wide financial statements are presented on pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 20 through 23 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The three Town proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The basic enterprise fund financial statements are presented on pages 24 through 26 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 27 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the management's discussion and analysis, budgetary comparison schedules for the general fund and the major special revenue funds, schedule of Town's proportionate share of net pension liability for the Municipal Police Employee Retirement System (MPERS), and the schedule of Town's contributions to the MPERS. The budgetary comparison schedules demonstrate compliance with the Town's adopted and final revised budgets. The required supplementary information and the notes to the required supplementary information can be found on pages 47 through 56 of this report.

Other supplementary information including the schedule of number of utility customers, the schedule of insurance in force, the schedule of compensation paid to the Mayor and Council members, and the schedule of compensation, benefits and other payments to the chief executive officer is presented on pages 58 through 61 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position at fiscal year-end was \$10,196,013. The following table provides a summary of the Town's net position:

	<u>Summary of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Percentage Total</u>
Assets:				
Current assets	\$ 3,974,955	\$ 857,547	\$ 4,832,502	29%
Capital assets	<u>5,386,691</u>	<u>6,540,779</u>	<u>11,927,470</u>	<u>71%</u>
Total assets	<u>9,361,646</u>	<u>7,398,326</u>	<u>16,759,972</u>	<u>100%</u>
Deferred outflows of resources	<u>225,289</u>	-	<u>225,289</u>	<u>100%</u>
Liabilities:				
Current liabilities	761,635	108,726	870,361	13%
Long-term liabilities	<u>1,993,243</u>	<u>3,883,284</u>	<u>5,876,527</u>	<u>87</u>
Total liabilities	<u>2,754,878</u>	<u>3,992,010</u>	<u>6,746,888</u>	<u>100%</u>
Deferred inflows of resources	<u>42,360</u>	-	<u>42,360</u>	<u>100%</u>
Net Position:				
Investment in capital assets, net of debt	4,059,170	2,799,552	6,858,722	67%
Restricted	3,443,412	277,613	3,721,025	36
Unrestricted	<u>(712,885)</u>	<u>329,151</u>	<u>(383,734)</u>	<u>(3)</u>
Total net position	<u>\$ 6,789,697</u>	<u>\$ 3,406,316</u>	<u>\$ 10,196,013</u>	<u>100%</u>

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The Town continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 5.22 to 1 for governmental activities and 7.89 to 1 for business-type activities. This compares with the prior year's ratios of 44.04 to 1 and 8.73 to 1, respectively. For the Town overall, the current ratio is 5.55 to 1 while that same financial indicator was 23.84 to 1 for the fiscal year ended June 30, 2017. These ratios are deteriorating but still strong.

The Town reported positive balances in net position for both governmental and business-type activities. For the fiscal years ended June 30, 2018 and 2017, respectively, net position increased (decreased) by (\$197,138) and \$135,450 for governmental activities and by (\$335,834) and (\$298,047) for business-type activities. The Town's overall financial position deteriorated during the fiscal year ended in 2018.

Note that approximately 60% and 67% of the governmental activities' net position are tied up in capital assets as of June 30, 2018 and June 30, 2017, respectively. The Town uses these capital assets to provide services to its citizens. However, with business-type activities, the Town has invested approximately 82% and 84% of its net position in capital assets during the respective fiscal years ended June 30, 2018 and 2017. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund. For the respective fiscal years ended June 30, 2018 and 2017, 67% and 72% of the Town's total net position, net of debt, are included in capital assets.

The following table provides a summary of the Town's changes in net position:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Percentage <u>Total</u>
Revenues:				
Program:				
Charges for services/fines	\$ 602,326	\$ 1,404,224	\$ 2,006,550	55%
Operating grants	363,873	-	363,873	10
Capital grants	41,450	-	41,450	1
General:				
Taxes	995,862	-	995,862	27
Gaming	168,256	-	168,256	5
Interest	4,215	742	4,957	-
Miscellaneous	<u>72,483</u>	<u>-</u>	<u>72,483</u>	<u>2</u>
Total Revenues	2,248,465	1,404,966	3,653,431	<u>100%</u>
Program expenses:				
General government	876,676	-	876,676	21%
Public safety:				
Police	1,224,426	-	1,224,426	29
Streets	278,716	-	278,716	7
Section 8 housing	288,700	-	288,700	7
Interest	14,785	160,157	174,942	4
Utility expenses	<u>-</u>	<u>1,342,943</u>	<u>1,342,943</u>	<u>32</u>
Total Expenses	<u>2,683,303</u>	<u>1,503,100</u>	<u>4,186,403</u>	<u>100%</u>
Excess (deficiency)	(434,838)	(98,134)	(532,972)	
Transfers	<u>237,700</u>	<u>(237,700)</u>	<u>-</u>	
Change in net position	(197,138)	(335,834)	(532,972)	
Beginning net position	<u>6,986,835</u>	<u>3,742,150</u>	<u>10,728,985</u>	
Ending net position	<u>\$ 6,789,697</u>	<u>\$ 3,406,316</u>	<u>\$ 10,196,013</u>	

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

GOVERNMENTAL REVENUES

The Town is heavily reliant on sales taxes to support governmental operations. Sales taxes equal 31% of the revenues for governmental activities, as compared with 30% in the prior year. Also note that program revenues cover only 38% (41% in the year ended June 30, 2017) of governmental operating expenses. This means that the government's taxpayers and the Town's other general revenues fund 62% (59% in the prior fiscal year) of the governmental activities. As a result, the general economy and the local businesses have a major impact on the Town's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

For the fiscal years ended June 30, 2018 and 2017, respectively, police services comprised 29% and 33% of the Town's total expenses and 46% and 52% of the total governmental expenses.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

	Governmental Activities			
	2017		2018	
	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
General government	\$ 640,100	\$ 451,744	\$ 876,676	\$ 717,409
Public safety:				
Police	1,261,703	734,122	1,224,426	677,216
Streets	257,223	257,223	278,716	237,266
Section 8 Housing	260,845	(23,429)	288,700	28,978
Interest on long-term debt	<u>4,116</u>	<u>4,116</u>	<u>14,785</u>	<u>14,785</u>
Total	<u>\$ 2,423,987</u>	<u>\$ 1,423,776</u>	<u>\$ 2,683,303</u>	<u>\$ 1,675,654</u>

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

Utility fund operating revenues increased 3% from prior year figures, while operating expenses increased 11%. In comparison, the fiscal year ended in 2017 reflected operating revenues for utility funds at 7% more than the previous year and operating expenses at 3% less than that the previous year. Within the total business-type activities of the Town, these activities reported a \$61,281 operating income compared to an operating income of \$157,383 for the prior year. However, after non-operating revenues, expenses, and operating transfers, the utility funds reported a loss of \$335,834, which compares with the overall fund loss of \$298,047 experienced in the year ended June 30, 2017.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,541,229 and \$3,116,416, for the fiscal years ended June 30, 2018 and 2017, respectively. Of these year-end totals, \$97,817 and \$185,134 were unassigned for the respective years, indicating availability for continuing Town service requirements. Legally restricted fund balances included \$76,258 and \$75,384 committed to police services in the years ended June 30, 2018 and 2017, respectively.

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The total ending fund balances of governmental funds show an increase of \$424,813. This compares with an increase of \$229,227 experienced in the prior fiscal year ended June 30, 2017.

MAJOR GOVERNMENTAL FUNDS

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$86,443 in the current fiscal year, while in the fiscal year ended June 30, 2017, the fund balance increased by \$104,101. However, the reader needs to remember that the Town controls these differences by the amount of resources it transfers in from the Town's other funds.

The revenues show a decrease of \$13,015 or 1% less than the prior year, while in the fiscal year ended June 30, 2017, such revenues increased \$62,382 or 6% more than the preceding year. The expenditures side shows an increase of \$17,505 or 1% more than the prior year. In comparison, the prior year expenditures increased by \$32,692, which was 2% more than the preceding fiscal year.

The General Fund's ending fund balance was less than the prior year by \$86,443 representing the equivalent of (5%) of its annual expenditures and (6%) of its annual revenues including operating transfers.

The DMV Fund continues to maintain a moderate fund balance as revenues in the fiscal year ended June 30, 2018 were 17% more than those earned in fiscal year ended June 30, 2017.

The HUD Fund continues to maintain a strong fund balance with revenues and expenditures in the fiscal year ended June 30, 2018 being 9% less than and 9% more than those in fiscal year ended June 30, 2017, respectively.

The Gaming Fund, a major special revenue fund, continues to maintain a strong fund balance with revenues in the fiscal year ended June 30, 2018 that were 8% less than those in the fiscal year ended June 30, 2017.

The Sales Tax Fund, a major special revenue fund, continues to maintain a strong fund balance with revenues and expenditures in the fiscal year ended June 30, 2018 being 5% more than and 337% more than those in the fiscal year ended June 30, 2017, respectively, which had experienced a 2% increase and 57% decrease from the preceding year, respectively.

The Sales Tax Bond Sinking Fund, a major debt service fund, is a new fund and is used to accumulate monies for the payment of principal and interest on long-term indebtedness and is maintaining a significant fund balance representing the proceeds of the \$1,315,000 sales tax bond issue that has not been transferred to the street improvement fund to cover street improvement costs.

The Street Improvement Projects Fund, a major capital projects fund, is a new fund and is used to account for capital improvements being made to various streets. The project was nearing completion at year end.

PROPRIETARY FUNDS

The proprietary fund statements share the same focus as the government-wide statements, reporting short-term information about financial status.

BUDGETARY HIGHLIGHTS

The General Fund - Both the revenue and expenditure sides of the current year final budget for the General Fund were revised by a \$13,934 increase and a \$72,059 increase, respectively, in relation to the prior year's final budget. The primary change in the General Fund's budget relates to increases in court fine revenues and increases in salaries and in related benefits. The actual revenues exceeded the final budget by \$48,955 or 5% and the actual expenditures were more than the final budget by \$19,407 or 1%.

The DMV Fund - The revenue and expenditure sides of the current year final budget for the DMV Fund was revised by a \$400 increase and a \$55 decrease, respectively, in relation to the prior year's final budget. The

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

primary change in the DMV Fund's budget relates to an overall decrease in special assignments. The actual revenues exceeded budgeted revenues by \$862 or 19% and the actual expenditures were exceeded by budgeted expenditures by \$4,100 or 100%.

The Gaming Fund - The revenue side of the current year final budget for the Gaming Fund was revised by a \$12,755 decrease and the expenditure side reflected no change in relation to the prior year final budget. The primary change in the Gaming Fund's budget relates to the overall decrease in gaming revenues. The actual revenues were exceeded by the final budgeted revenues by \$7,124 or 4% while there were no actual expenditures or budgeted expenditures. Operating transfers of \$117,335 were made from the gaming fund.

The HUD Fund - The revenue and expenditure sides of the current year final budget for the HUD Fund were revised by a \$63,055 decrease and a \$23,000 increase in relation to the prior year final budget. The primary change in the HUD Fund's budget relates to the overall decrease in housing assistance revenue and the overall increase in housing assistance expenditures. The actual revenues exceeded final budgeted revenues by \$49,914 or 24% and the actual expenditures were under the final budgeted expenditures by \$2,279 or 1%.

The Sales Tax Fund - The revenue and expenditure sides of the current year final budget for the Sales Tax Fund were revised by a \$60,000 increase and a \$144,158 decrease, respectively in relation to the prior year's final budget. The primary change in the Sales Tax Fund's budget relates to an increase in sales tax collections and a decrease in principal retirement. The actual revenues exceeded the final budget revenues by \$27,645 or 4% and the actual expenditures were exceeded by the final budget by \$210,540 or 58%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2018, were \$5,386,691 and \$6,540,779, respectively, while those figures as of June 30, 2017, were \$4,650,339 and \$6,918,685 respectively. The overall increase was 3% for the Town as a whole. See Note D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. A major construction project was under way at year-end for street improvements. The total contract amounts for construction, engineering, and grant assistance on those projects originally amounted to \$1,315,000 and the total expended through year-end was \$1,084,082. Change orders have brought the original project cost down by approximately \$200,000 and the project will be complete in 2018. This project was completely funded by newly issued bonds. The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Non-depreciable assets:						
Land	\$ 450,526	\$ 265,511	\$ 15,300	\$ 15,300	\$ 465,826	\$ 280,811
Construction in progress	-	1,084,082	-	-	-	1,084,082
Total non-depreciable	450,526	1,349,593	15,300	15,300	465,826	1,364,893
Depreciable assets:						
Buildings & utility systems	2,614,637	2,610,982	14,216,734	14,246,817	16,831,371	16,857,799
Equipment & furniture	1,108,558	1,104,100	-	-	1,108,558	1,104,100
Infrastructure	3,690,592	3,711,510	-	-	3,690,592	3,711,510
Total depreciable assets	7,413,787	7,426,592	14,216,734	14,246,817	21,630,521	21,673,409
Less accumulated depreciation	3,213,974	3,389,494	7,313,349	7,721,338	10,527,323	11,110,832
Book value-depreciable assets	<u>\$ 4,199,813</u>	<u>\$ 4,037,098</u>	<u>\$ 6,903,385</u>	<u>\$ 6,525,479</u>	<u>\$ 11,103,198</u>	<u>\$ 10,562,577</u>
Percentage depreciated	43%	46%	51%	54%	49%	51%
Book value-all assets	<u>\$ 4,650,339</u>	<u>\$ 5,386,691</u>	<u>\$ 6,918,685</u>	<u>\$ 6,540,779</u>	<u>\$ 11,569,024</u>	<u>\$ 11,927,470</u>

**Town of Kinder, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The depreciable capital assets for governmental activities were 46% and 43% depreciated for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. This comparison indicates that the Town is replacing its governmental assets at the rate slower than they are depreciating without including construction in progress.

The major additions for governmental activities were:

- Street improvements
- Sidewalk improvements
- Library signage
- Copier

With the Town's business-type activities, 54% of the asset values were depreciated at June 30, 2018 compared to 51% at June 30, 2017. This comparison indicates that the town is replacing its business type assets at a rate slower than they are depreciating.

The major additions for business-type activities were:

- Two trucks
- Lift station upgrade
- Water cut off valve

Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$5,151,127. All of this amount is backed by the full faith and credit of the Town with debt service funded by sales taxes and sewer fund revenues.

During the year, the Town issued \$1,323,438 and retired \$57,640 in long-term debt. See Note G for additional information regarding long-term debt.

ECONOMIC CONDITIONS AFFECTING THE TOWN

The Town's primary nonproprietary revenue stream is from sales taxes, which are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

The current compact with the Coushatta Tribe of Louisiana began in 2001 and automatically renewed in 2010. The gaming revenues to be submitted to the Town were scheduled in that compact to be at \$410,000 per year to assist with increased critical services like fire protection, police protection, and construction, maintenance, and repair of municipal infrastructure and housing. Recent gaming payments to the Town for the current fiscal year amount to more than \$42,000 per quarter. This represents a decrease of 59% of the funding from the original compact.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town Clerk, Traci Fontenot, P.O. Drawer AH, Kinder, LA 70648.

ROYCE T. SCIMEMI, CPA, APAC



CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 210
Oberlin, LA 70655
Tele (337) 639-4334, Fax (337) 639-4068

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

October 1, 2018

Honorable Wayland LaFargue, Mayor and the Town Council
Town of Kinder, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kinder, Louisiana as of and for the years ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kinder, Louisiana'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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Kinder, Louisiana, as of June 30, 2018 and 2017, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
Honorable Wayland LaFargue, Mayor and the Town Council
Town of Kinder, LA
October 1, 2018
Page 2

Other Matters

In our report dated September 12, 2017, we expressed an unqualified opinion that the June 30, 2017 financial statements fairly present the financial position, results of operations, and cash flows of the Town of Kinder, Louisiana in accordance with accounting principles generally accepted in the United States of America. The fund balance sheet and the proprietary statement of net position include comparative information that were audited previously and are consistent, in all material respects, with the audited financial statements from which they have been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension liability information on pages 4 through 12 and 47 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

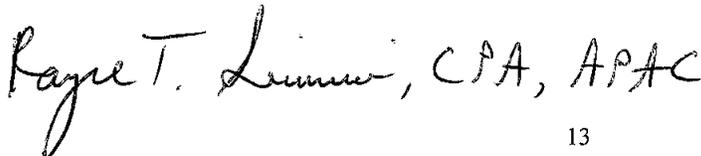
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kinder, Louisiana's basic financial statements. The schedule of number of utility customers, schedule of insurance in force, schedule of compensation paid to the Mayor and Council Members, and schedule of compensation, benefits and other payments to chief executive officer ("Other Supplementary Information") are presented on pages 58-61 for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Town of Kinder, 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 effectiveness of the Town of Kinder, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kinder, Louisiana's internal control over financial reporting and compliance.

Royce T. Scimemi, CPA, APAC



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Town of Kinder, Louisiana
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 3,277,471	\$ 320,088	\$ 3,597,559
Investments	396,163	--	396,163
Restricted cash	76,258	379,700	455,958
Restricted receivables	--	3	3
Taxes receivable	134,572	--	134,572
Gaming receivable	39,244	--	39,244
Interest receivable	3,478	--	3,478
Accounts receivable	--	157,756	157,756
Other receivable	34,194	--	34,194
Due from other governments	13,575	--	13,575
Land	265,511	15,300	280,811
Capital assets, net	5,121,180	6,525,479	11,646,659
Total Assets	9,361,646	7,398,326	16,759,972
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows-pension related	225,289	--	225,289
Total Deferred Outflows of Resources	225,289	--	225,289
LIABILITIES			
Accounts and other accrued payables	433,726	53,962	487,688
Interest payable	6,158	871	7,029
Due within one year	321,751	53,893	375,644
Due after one year	999,612	3,686,463	4,686,075
Accrued compensated absences	74,361	15,047	89,408
Customer deposits	--	181,774	181,774
Net pension liability	919,270	--	919,270
Total Liabilities	2,754,878	3,992,010	6,746,888
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-pension related	42,360	--	42,360
Total Deferred Inflows of Resources	42,360	--	42,360
NET POSITION			
<i>Invested in capital assets, net of related debt</i>	4,059,170	2,799,552	6,858,722
<i>Restricted</i>	3,443,412	277,613	3,721,025
<i>Unrestricted</i>	(712,885)	329,151	(383,734)
Total Net Position	\$ 6,789,697	\$ 3,406,316	\$ 10,196,013

Town of Kinder, Louisiana
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General and administrative	\$ 876,676	\$ 155,906	\$ 3,361	\$ --	\$ (717,409)	\$ --	\$ (717,409)
Streets	278,716	--	--	41,450	(237,266)	--	(237,266)
Police	1,224,426	446,420	100,790	--	(677,216)	--	(677,216)
Section 8 housing	288,700	--	259,722	--	(28,978)	--	(28,978)
Interest on long-term debt	14,785	--	--	--	(14,785)	--	(14,785)
Total Governmental Activities	2,883,303	602,326	363,873	41,450	(1,675,654)	--	(1,675,654)
Business-type Activities:							
Sewer Fund	431,697	290,873	--	--	--	(140,824)	(140,824)
Water Fund	337,167	373,846	--	--	--	36,689	36,689
Gas Fund	574,089	739,505	--	--	--	165,416	165,416
Interest on long-term debt - Sewer	160,157	--	--	--	--	(160,157)	(160,157)
Total Business-type Activities	1,503,100	1,404,224	--	--	--	(98,876)	(98,876)
Total Primary Government	\$ 4,186,403	\$ 2,006,550	\$ 363,873	\$ 41,450	\$ (1,675,654)	\$ (98,876)	\$ (1,774,530)
General Purpose Revenues and Transfers:							
Revenues							
Taxes							
Property					157,915	--	157,915
Sales					695,837	--	695,837
Franchise					142,110	--	142,110
Interest Income					4,215	742	4,957
Miscellaneous					72,483	--	72,483
Gaming					168,256	--	168,256
Transfers					237,700	(237,700)	--
Total General Revenues and Transfers					1,478,516	(236,958)	1,241,558
Change in Net Position					(197,138)	(335,834)	(532,972)
<i>Net Position at Beginning of Period</i>					6,986,835	3,742,150	10,728,985
Net Position at End of Period					\$ 6,789,697	\$ 3,406,316	\$ 10,196,013

See accompanying notes.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

Gaming Fund

To account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

HUD Fund

To account for the receipt and expenditure of federal financial assistance for low-income housing.

DMV Fund

To account for the receipt and expenditure of funds collected on transactions with the state motor vehicle department.

Debt Service Fund

Sales Tax Bond Sinking Fund

To account for the accumulation of resources for, and the payment of \$1,315,000 sales tax bonds principal, interest, and related costs. It is funded by sales tax revenues.

Capital Projects Fund

Street Improvement Projects Fund

To account for the street improvements being made to the Town. It was funded by \$1,315,000 in sales tax bonds.

Enterprise Funds

Water Fund

To account for the provision of water services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sewer Fund

To account for the provision of sewerage services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Gas Fund

To account for the provision of gas services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Town of Kinder, Louisiana
 Balance Sheet
 Governmental Funds
 June 30, 2018 and 2017

	Special Revenue				Debt Service		Capital Projects	Total Governmental Funds	June 30, 2017
	General	DMV Fund	HUD Fund	Gaming Fund	Sales Tax Fund	Sales Tax Bond Sinking Fund	Street Improvement Projects Fund		
ASSETS									
Cash	\$ 141,967	\$ 14,242	\$ 36,287	\$ 473,787	\$ 1,722,675	\$ 329,789	\$ 558,724	\$ 3,277,471	\$ 2,901,479
Investments	--	--	61,724	91,040	243,399	--	--	396,163	--
Restricted cash	76,258	--	--	--	--	--	--	76,258	75,384
Taxes receivable	--	--	--	--	134,572	--	--	134,572	118,880
Gaming receivable	--	--	--	39,244	--	--	--	39,244	44,884
Interest receivable	--	--	51	1,293	2,134	--	--	3,478	1,059
Other receivable	34,194	--	--	--	--	--	--	34,194	37,150
Due (to)/from other funds	--	--	--	--	--	--	--	--	(212)
Due from other governments	3,575	--	--	--	10,000	--	--	13,575	2,843
Equipment deposit	--	--	--	--	--	--	--	--	6,440
Total Assets	<u>255,994</u>	<u>14,242</u>	<u>98,062</u>	<u>605,364</u>	<u>2,112,780</u>	<u>329,789</u>	<u>558,724</u>	<u>3,974,955</u>	<u>3,187,887</u>
DEFERRED OUTFLOWS OF RESOURCES									
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 255,994</u>	<u>\$ 14,242</u>	<u>\$ 98,062</u>	<u>\$ 605,364</u>	<u>\$ 2,112,780</u>	<u>\$ 329,789</u>	<u>\$ 558,724</u>	<u>\$ 3,974,955</u>	<u>\$ 3,187,887</u>
LIABILITIES									
Accounts and other accrued payables	\$ 81,919	\$ --	\$ --	\$ --	\$ 1,087	\$ --	\$ 350,720	\$ 433,726	\$ 71,471
Total Liabilities	<u>81,919</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,087</u>	<u>--</u>	<u>350,720</u>	<u>433,726</u>	<u>71,471</u>
DEFERRED INFLOWS OF RESOURCES									
Aggregated deferred inflows	--	--	--	--	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	<u>81,919</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,087</u>	<u>--</u>	<u>350,720</u>	<u>433,726</u>	<u>71,471</u>
FUND BALANCE									
Restricted	76,258	14,242	98,062	605,364	2,111,693	329,789	208,004	3,443,412	2,931,282
Unassigned	97,817	--	--	--	--	--	--	97,817	185,134
Total Fund Balance	<u>174,075</u>	<u>14,242</u>	<u>98,062</u>	<u>605,364</u>	<u>2,111,693</u>	<u>329,789</u>	<u>208,004</u>	<u>3,541,229</u>	<u>3,116,416</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 255,994</u>	<u>\$ 14,242</u>	<u>\$ 98,062</u>	<u>\$ 605,364</u>	<u>\$ 2,112,780</u>	<u>\$ 329,789</u>	<u>\$ 558,724</u>	<u>\$ 3,974,955</u>	<u>\$ 3,187,887</u>

See accompanying notes.

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

Total Fund Balance - Governmental Funds	\$	3,541,229
Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balances.		(6,158)
Compensated absences are expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position.		(74,361)
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balances.		5,386,691
Long-term debt is reflected on Statement of Net Position but not in governmental funds balance sheet.		(1,321,363)
Net pension liability is reflected on the Statement of Net Position but not in governmental funds balance sheet.		(919,270)
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows.		225,289
Pension-related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows.		(42,360)
Total Net Position-Governmental Funds	\$	<u>6,789,697</u>

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				Debt Service	Capital Projects	Total Governmental Funds
	General	DMV Fund	HUD Fund	Gaming Fund	Sales Tax Bond Sinking Fund	Street Improvement Projects Fund	
Revenues							
Taxes	\$ 300,025	\$ --	\$ --	\$ --	\$ 695,837	\$ --	\$ 995,862
Licenses and permits	139,242	--	--	--	--	--	139,242
Intergovernmental	80,973	--	259,722	--	40,000	--	380,695
Fines	449,706	--	--	--	--	--	449,706
Miscellaneous	84,925	--	--	--	--	--	84,925
Gaming	--	--	--	168,256	--	--	168,256
Special assessments	--	5,466	--	--	--	--	5,466
Interest Income	154	6	312	2,916	(192)	978	4,215
Total Revenues	1,055,025	5,472	260,034	171,172	735,645	41	2,228,367
Expenditures							
Current:							
General and administrative	526,121	--	21	--	99,796	--	649,830
Streets	153,036	--	--	--	5,582	--	158,618
Police	1,118,589	--	--	--	--	--	1,118,589
Section 8 housing	--	--	288,700	--	--	--	288,700
Capital outlay	8,438	--	--	--	44,812	--	1,137,332
Debt service:							
Principal retirement	2,960	--	--	--	--	--	2,960
Interest on long-term debt	721	--	--	--	--	7,942	8,663
Total Expenditures	1,809,865	--	288,721	--	150,190	7,942	3,364,692
Excess of Revenues Over (Under) Expenditures	(754,840)	5,472	(28,687)	171,172	585,455	(7,901)	(1,136,325)
Other Financing Sources (Uses)							
Capital lease proceeds	8,438	--	--	--	--	--	8,438
Sales tax bond proceeds	--	--	--	--	--	1,315,000	1,315,000
Operating transfers	659,959	--	--	(117,335)	(642,614)	(977,310)	237,700
Net Other Financing Sources (Uses)	668,397	--	--	(117,335)	(642,614)	337,690	1,561,138
Net Change in Fund Balances	(86,443)	5,472	(28,687)	53,837	(57,159)	329,789	424,813
<i>Fund Balances at Beginning of Period</i>	<i>260,518</i>	<i>8,770</i>	<i>126,749</i>	<i>551,527</i>	<i>2,168,852</i>	<i>--</i>	<i>3,116,416</i>
Fund Balances at End of Period	\$ 174,075	\$ 14,242	\$ 98,062	\$ 605,364	\$ 2,111,693	\$ 329,789	\$ 3,541,229

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

Total Net Change in Fund Balances - Governmental Funds	\$	424,813
Fixed assets expensed as capital outlays in governmental fund statements, but capitalized in the Statement of Net Position.		1,137,332
Compensated absences are expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position.		15,653
Principal payments on long-term debt are expensed in governmental fund statements, but treated as reductions of outstanding debt in entity-wide statements.		2,960
Depreciation expense is reflected in entity-wide statements, but not deducted in the governmental fund statements.		(212,977)
Accrued interest expense is included in Statement of Activities, but only expensed as paid in governmental fund statements		(6,123)
Proceeds of long-term debt treated as revenue in the fund level statements, treated as increases to long-term debt in entity-wide statements.		(1,323,438)
Basis in assets disposed of during the year.		(188,003)
Pension expense is based on employer contributions in the government funds Statement of Revenues, Expenditures, and Changes in Fund Balances, but is an actuarially calculated expense on the Statement of Activities.		(67,456)
Non-employer contributions to retirement systems for the benefit of Town employees reflected on the Statement of Activities but not recognized in the governmental fund statements.		20,101
Changes in Net Position-Governmental Funds	\$	<u>(197,138)</u>

Town of Kinder, Louisiana

Statement of Net Position

Proprietary Funds

June 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>				
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>	<u>June 30, 2017</u>
ASSETS					
<i>Current Assets</i>					
Cash	\$ 126,845	\$ 56,566	\$ 136,677	\$ 320,088	\$ 335,349
Restricted cash	147,800	200,001	31,899	379,700	348,100
Restricted receivables	--	1	2	3	8
Accounts receivable	26,765	30,424	100,567	157,756	160,898
Due to/from other funds	3,698	(5,937)	2,239	--	212
Total Current Assets	305,108	281,055	271,384	857,547	844,567
<i>Noncurrent Assets</i>					
Land	15,300	--	--	15,300	15,300
Capital assets, net	5,872,687	500,297	152,495	6,525,479	6,903,386
Total Assets	6,193,095	781,352	423,879	7,398,326	7,763,253
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts and other accrued payables	4,898	22,169	26,895	53,962	44,221
Interest payable	871	--	--	871	883
Due within one year	53,893	--	--	53,893	51,655
Total Current Liabilities	59,662	22,169	26,895	108,726	96,759
<i>Noncurrent Liabilities</i>					
Customer deposits	--	70,189	111,585	181,774	181,569
Due after one year	3,686,463	--	--	3,686,463	3,740,356
Accrued compensated absences	--	863	14,184	15,047	2,419
Total Liabilities	3,746,125	93,221	152,664	3,992,010	4,021,103
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--	--
NET POSITION					
<i>Invested in capital assets, net of related debt</i>	2,146,760	500,297	152,495	2,799,552	3,125,792
<i>Restricted</i>	147,800	129,813	--	277,613	166,539
<i>Unrestricted</i>	152,410	58,021	118,720	329,151	449,819
Total Net Position	\$ 2,446,970	\$ 688,131	\$ 271,215	\$ 3,406,316	\$ 3,742,150

Town of Kinder, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Sewer Fund	Water Fund	Gas Fund	
Operating Revenues				
Charges for services	\$ 290,873	\$ 373,846	\$ 739,505	\$ 1,404,224
Total Operating Revenues	290,873	373,846	739,505	1,404,224
Operating Expenses				
Advertising - notices	--	400	118	518
Audit fees	--	5,500	5,500	11,000
Contract labor	--	--	7,200	7,200
Depreciation	324,708	53,359	29,922	407,989
Dues	--	300	1,018	1,318
Engineering fees	590	230	1,745	2,565
Gas and oil	--	--	7,809	7,809
Insurance	--	10,329	18,322	28,651
Materials and supplies	20,903	21,957	22,118	64,978
Miscellaneous	77	975	1,263	2,315
Office supplies	--	--	108	108
Salaries	413	29,803	103,179	133,395
Payroll taxes	--	2,255	7,068	9,323
Per diem	--	--	565	565
Postage	921	3,839	5,288	10,048
Professional services	40,116	--	11,130	51,246
Retirement	--	--	2,329	2,329
Repairs and maintenance	17,303	16,110	12,367	45,780
Telephone	--	--	1,485	1,485
Travel	--	740	2,191	2,931
Uniforms	1,684	1,684	1,684	5,052
Utilities	24,982	18,023	547	43,552
Water and gas purchases	--	171,653	331,133	502,786
Total Operating Expenses	431,697	337,157	574,089	1,342,943
Operating Income (Loss)	(140,824)	36,689	165,416	61,281
Non-Operating Revenues (Expenses)				
Interest Income	202	289	251	742
Interest expense	(160,157)	--	--	(160,157)
Net Non-Operating Revenues (Expenses)	(159,955)	289	251	(159,415)
Income Before Transfers	(300,779)	36,978	165,667	(98,134)
Operating transfers	44,924	(99,588)	(183,036)	(237,700)
Change in Net Position	(255,855)	(62,610)	(17,369)	(335,834)
Net Position at Beginning of Period	2,702,824	750,743	288,583	3,742,150
Net Position at End of Period	\$ 2,446,969	\$ 688,133	\$ 271,214	\$ 3,406,316

TOWN OF KINDER, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2018

	Business-Type Activities – Enterprise Funds			
	Water Fund	Sewer Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 373,186	\$ 293,098	\$ 741,287	\$ 1,407,571
Payments to suppliers	(248,544)	(101,880)	(429,742)	(780,166)
Payments to employees	(31,195)	(413)	(100,811)	(132,419)
Net cash from operating activities	93,447	190,805	210,734	494,986
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net proceeds (purchase) of investments	(69)	-	(139)	(208)
Interest earnings	291	203	254	748
Net cash from investing activities	222	203	115	540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest paid on sewer revenue bonds	-	(160,169)	-	(160,169)
Principal paid on sewer revenue bonds	-	(51,655)	-	(51,655)
Purchase of fixed assets	(6,540)	(8,100)	(15,443)	(30,083)
Net cash from capital activities	(6,540)	(219,924)	(15,443)	(241,907)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers	(99,588)	44,924	(183,036)	(237,700)
Loans (to)/from other funds	1,420	(895)	(313)	212
Net cash from non-capital financing activities	(98,168)	44,029	(183,349)	(237,488)
NET INCREASE (DECREASE) IN CASH	(11,039)	15,113	12,057	16,131
CASH – BEGINNING	251,894	259,532	124,620	636,046
CASH – ENDING	\$ 240,855	\$ 274,645	\$ 136,677	\$ 652,177
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 36,689	\$ (140,824)	\$ 165,416	\$ 61,281
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation	53,359	324,708	29,922	407,989
(Increase) decrease in receivables	(730)	2,225	1,647	3,142
Increase (decrease) in accounts payable	3,196	4,696	1,849	9,741
Increase (decrease) in compensated absences	863	-	11,765	12,628
Increase (decrease) in customer deposits	70	-	135	205
Net cash from operating activities	\$ 93,447	\$ 190,805	\$ 210,734	\$ 494,986

See accompanying notes.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kinder, Louisiana (the "Town"), was created under the provisions of the Lawrason Act. The purpose of the Town is to provide services to its citizens, which include sewer, water and gas utilities, police protection and other services. The Town has a board of five elected council members who are compensated. The Town is located in Allen Parish, Louisiana and its population is approximately 2,500. There are approximately 30 employees working for the Town.

1. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations 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.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial data of the Town (the primary government) which has no component units under the above criteria.

2. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America and with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Town 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Town's governmental activities and business-type 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 and charges paid by the recipients of services offered by the Town 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 Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Town are classified into two categories: governmental and proprietary/enterprise. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town; if the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; or if the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major funds:

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

The DMV Fund is used to account for the receipt and expenditure of funds collected on transactions with the state motor vehicle department.

The Gaming Fund is used to account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

The HUD Fund is used to account for the receipt and expenditure of federal financial assistance for low-income housing.

The Sales Tax Fund is used to account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

The Sales Tax Bond Sinking Fund is used to account for the accumulation of resources for, and the payment of \$1,315,000 sales tax bonds principal, interest, and related costs. It is funded by sales tax revenues.

The Street Improvement Projects Fund is used to account for the street improvements being made to the Town. It was funded by \$1,315,000 in sales tax bonds.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

The Enterprise Funds are 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 and are reported as program revenues; 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. The enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses. The Town's enterprise funds account for water, sewer, and gas services.

3. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize 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 non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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 outlays) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

The proprietary funds utilize the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. All annual appropriations lapse at fiscal year-end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Town Council. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The Town Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. Any changes in the revenue estimates must be by an affirmative vote of a majority of the government's council. Expenditures may not legally exceed budgeted appropriations at the activity level.

The original budget and one amendment during the year are reflected in the budget comparisons.

5. Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits.

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, as stipulated in La. R.S. 33:2955, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana. LAMP maintains a local government investment pool.

As of June 30, 2018 the Town had deposits (book balances) totaling \$4,053,517. These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that, in the event of bank failure, the Town's deposits may not be returned. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2018, the Town has \$4,067,746 in deposits (collected bank balances). These deposits are secured from custodial credit risk by \$1,004,059 of federal deposit insurance and \$3,063,687 of pledged securities held by the custodial banks in the name of the fiscal agent banks or letters of credit from Federal Home Loan Bank.

Investments

The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Town has the ability to access at the measurement date.

Level 2 inputs are quoted prices (unadjusted) other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2018 are as follows:

	<u>Fair Value</u>	Quoted Price in Active Markets Identical Assets <u>Level 1</u>	Significant Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	<u>Cost</u>
Mutual funds	\$ 11,846	\$ 11,846	\$ -	-	\$ 12,743
US treasury notes	<u>384,317</u>	<u>384,317</u>	-	-	<u>387,758</u>
	<u>\$396,163</u>	<u>\$396,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$400,501</u>

The funds have interest reported net of the change in fair market value of the associated investments as follows:

	Accrual Interest <u>Income</u>	(Decrease) Increase in FMV	Reported Interest <u>Income</u>
General fund	\$ 154	\$ -	\$ 154
Sales tax fund	2,534	(2,726)	(192)
Gaming fund	4,692	(1,776)	2,916
HUD fund	148	164	312
DMV fund	6	-	6
Street improvements fund	978	-	978
Sales tax bond sinking fund	41	-	41
Gas fund	251	-	251
Sewer fund	202	-	202
Water fund	<u>289</u>	<u>-</u>	<u>289</u>
Total	<u>\$ 9,295</u>	<u>\$ (4,338)</u>	<u>\$ 4,957</u>

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

8. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be a concentration of credit risk with regard to general accounts receivable and more specifically, accounts receivable for gas, water and sewer user fees in the enterprise funds. The Town's ability to collect the amounts due from the users of the Town's gas, water and sewer systems and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

9. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$1,500 or more for capitalization of asset purchases.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. 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 asset type is as follows:

Buildings	20-50 years
Equipment and furniture	3-40 years
Water, sewer, and gas systems	20-66 years
Infrastructure	25-50 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.

10. Statement of Cash Flows

For the purpose of the statement of cash flows for the proprietary funds, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Investments with a maturity of more than three months are considered non-cash equivalents. The statement reflects ending cash and cash equivalents of \$652,177 which represents unrestricted and restricted amounts of \$320,088 and \$332,089, respectively. The cash and certificates of deposit are broken down further as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Totals</u>
Cash and cash equivalents-Unrestricted	\$ 126,845	\$ 56,566	\$ 136,677	\$ 320,088
Cash and cash equivalents-Restricted	<u>147,800</u>	<u>184,289</u>	<u>-</u>	<u>332,089</u>
Total cash and cash equivalents	274,645	240,855	136,677	652,177
Non-cash equivalents-Restricted	<u>-</u>	<u>15,712</u>	<u>31,899</u>	<u>47,611</u>
Total cash per the statement of net position	<u>\$ 274,645</u>	<u>\$ 256,567</u>	<u>\$ 168,576</u>	<u>\$ 699,788</u>

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

11. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position and not the fund balance sheet. No expenditure is reported for these amounts in the fund financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the generally accepted accounting principles, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits for police personnel that the Town estimates will be taken as "terminal leave" prior to retirement.

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

Employees of the Town receive 80 hours to 200 hours vacation leave each year, depending on their length of service. Upon termination, the employee is entitled to any unused vacation leave. In addition, employees may accumulate up to 240 hours sick leave. Only police employees retiring at or after age 65 are entitled to any unused sick leave.

At June 30, 2018, employees of the Town have accumulated \$89,407 in leave privileges.

12. Long-Term Debt

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

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

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 payments of principal and interest are 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.

13. Equity Classification

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

- a. Invested in capital assets, net of related debt – 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 net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

- c. Unrestricted net position - Consists of all other net position that does not meet the definition of a, or b above.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

In the fund statements, governmental fund equity is classified as fund balance and is further classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. 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.
- c. Committed – amounts that can be used for specific purposes determined by a formal action of the Mayor and Council. They are the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Mayor and Council.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Mayor and Council members may assign amounts for specific purposes.
- e. Unassigned – includes positive fund balance within the general fund which has not been classified with the above mentioned categories and when applicable, negative fund balances in other governmental funds.

The Town typically uses restricted fund balances first unless prohibited by legal or contractual provisions and then to less restrictive classifications. The Town's less restrictive classifications are then used—committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

14. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

15. Sales Taxes

1 % Sales Tax

Proceeds of a 1% sales and use tax levied by the Town are dedicated to the following purposes:

1. 75% to be used for capital improvements.
2. 25% to be used for repairs and maintenance.

The tax expires on June 30, 2023.

.3% Sales Tax

Proceeds of a .3% sales and use tax levied by the Town are dedicated to the following purposes:

1. 90% to be used for operating and maintaining the Town's sewerage system.
2. 10% to be used for operating and maintaining the Town's library.

The tax expires on December 31, 2027.

16. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

17. Revenues, Expenditures, and Expenses

Program Revenues

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

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent after December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of the sales tax collector and are recognized as revenue at that time. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

Expenditures/expenses

The Town's primary expenditures include salaries and insurance, which are recorded when the liabilities are incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfers are authorized by the Town.

18. Environmental Remediation Costs

The Town accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

19. Subsequent Events

Management has evaluated subsequent events through October 1, 2018, the date the financial statements were issued.

20. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Police Employees Retirement System (MPERS) and additions to/deductions from MPERS's fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

21. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE B - PROPERTY TAXES

For the year ended June 30, 2018, taxes of 14.19 mills were levied on property with assessed valuations totaling \$10,641,800 and were dedicated as follows:

General corporate purposes	14.19 mills
Total property taxes levied were \$151,007.	

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE C - RECEIVABLES

The following is a summary of receivables for June 30, 2018:

<u>Class of Receivable:</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Taxes:		
Sales and use	\$ 134,572	\$ -
Intergovernmental	13,575	-
Interest	3,478	3
Gaming	39,244	-
Charges for services	-	157,756
Other	<u>34,194</u>	<u>-</u>
Total	<u>\$ 225,063</u>	<u>\$ 157,759</u>

Note D – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental Activities:				
Land	\$ 450,526	\$ -	\$ 185,015	\$ 265,511
Construction in progress	-	1,084,082	-	1,084,082
Buildings	2,614,637	-	3,655	2,610,982
Equipment and furniture	1,108,558	32,332	36,790	1,104,100
Infrastructure	<u>3,690,592</u>	<u>20,918</u>	<u>-</u>	<u>3,711,510</u>
Totals at historical cost	7,864,313	1,137,332	225,460	8,776,185
Less accumulated depreciation for:				
Buildings	990,539	60,792	-	1,051,331
Equipment and furniture	888,731	60,483	37,457	911,757
Infrastructure	<u>1,334,704</u>	<u>91,702</u>	<u>-</u>	<u>1,426,406</u>
Total accumulated depreciation	<u>3,213,974</u>	<u>212,977</u>	<u>37,457</u>	<u>3,389,494</u>
Governmental Activities				
Capital Assets, net	<u>\$ 4,650,339</u>	<u>\$ 924,355</u>	<u>\$ 188,003</u>	<u>\$ 5,386,691</u>
Business-Type Activities:				
Land	\$ 15,300	\$ -	\$ -	\$ 15,300
Water system	2,259,350	6,540	-	2,265,890
Sewer system	11,261,024	8,100	-	11,269,124
Gas system	<u>696,360</u>	<u>15,443</u>	<u>-</u>	<u>711,803</u>
Totals at historical cost	14,232,034	30,083	-	14,262,117

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Less accumulated depreciation for:				
Water system	1,712,234	53,359	-	1,765,593
Sewer system	5,071,729	324,708	-	5,396,437
Gas system	<u>529,386</u>	<u>29,922</u>	-	<u>559,308</u>
Total accumulated depreciation	<u>7,313,349</u>	<u>407,989</u>	-	<u>7,721,338</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 6,918,685</u>	<u>\$ (377,906)</u>	<u>\$ -</u>	<u>\$ 6,540,779</u>

Depreciation expense for the year ended June 30, 2018 was \$212,977 and \$407,989 for the governmental activities and the business-type activities, respectively.

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 68,005
Streets	106,759
Police	<u>38,213</u>
	<u>\$ 212,977</u>

NOTE E - ACCOUNTS PAYABLES

The following is a summary of payables at June 30, 2018:

<u>Class of Payable:</u>	<u>Governmental Activities Funds</u>	<u>Business-Type Activities Funds</u>
Trade accounts	\$ 433,726	\$ 53,962

NOTE F - PENSION PLANS

All employees of the Town are members of the federal social security system.

Police officers of the Town are eligible to participate in the Municipal Police Employees Retirement System of Louisiana (System). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Municipal Police Employees Retirement System of Louisiana

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the MPERS (an Internal Revenue Code Section 401(a) plan). Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The MPERS also provides death and disability benefits. Benefits are established or amended by state statute.

Cost-of-Living Adjustments: The Board of Trustees is authorized to provide annual cost-of-living (COLA) adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a COLA until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a COLA until they reach regular retirement age.

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

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

The MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees Retirement MPERS of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411 or on the internet at www.lampers.org on the internet.

Funding Policy. Plan members are required by state statute to contribute 10% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The required rate is 31.00% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by La. R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MPERS for the years ending June 30, 2018, 2017, and 2016 were \$86,144, \$99,803 and \$92,094, respectively. These amounts are equal to the required contributions for each year. The amount payable for legally required contributions by the Town at June 30, 2018 was \$19,026.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$919,270 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2017 the Town's proportion was 0.105295%, which was a decrease of 0.006152% from its proportion measured as of June 30, 2016. The Town's proportionate share of revenue recognized for non-employer pension contributions to the plan was \$20,101 through the measurement date.

For the year ended June 30, 2018, the Town recognized pension expense of \$66,871. At June 30, 2018, the Town recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,019	\$ 7,066
Net difference between projected and actual earnings on pension plan investments	40,242	-
Changes of assumptions	65,414	-
Changes in proportion of beginning NPL	27,470	35,180
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	114
Town contributions subsequent to the measurement date	<u>86,144</u>	<u>-</u>
Totals	<u>\$ 225,289</u>	<u>\$ 42,360</u>

The \$86,144 reported as deferred outflows of resources related to pensions resulting from the Town 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 47,668
2020	49,615
2021	21,073
2022	(21,571)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 96,785</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.325%, net of investment expense	
Expected Remaining Service Lives	4 years	
Inflation rate	2.7%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

3-23	4.75%
24 & Over	4.25%

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

Discount rate. The discount rate used to measure the total pension liability was 7.325%. 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 MPERS's actuary. Based on those assumptions, the MPERS's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.325% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.325%) and one percentage point higher (8.325%) than the current rate as of June 30, 2017:

	1% Decrease (6.325%)	Discount Rate (7.325%)	1% Increase (8.325%)
Town's proportionate share of the net pension liability	\$1,270,060	\$919,270	\$624,982

Change in Net Pension Liability: The changes in the net pension liability for the year ended June 30, 2017, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred outflow of resources of \$6,019 and a deferred inflow of resources in the amount of \$7,066 for the year ended June 30, 2018.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$40,242 for the year ended June 30, 2018.

Changes of Assumptions or Other Inputs:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources in the amount of \$65,414 for the year ended June 30, 2018.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. Changes in employer's portion of the beginning net pension liability resulted in a deferred outflow of resources of \$27,470 and a deferred inflow of resources of \$35,180 for the year ended June 30, 2018.

NOTE G - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2018 follows:

	<u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>End of Year</u>
Bonds payable	\$ 3,792,011	\$ 1,315,000	\$ 51,655	\$ 5,055,356
Capital lease payable	885	8,438	2,960	6,363
Other liabilities:				
Accrued leave benefits	<u>92,433</u>	<u>-</u>	<u>3,026</u>	<u>89,407</u>
Long-Term Liabilities	<u>\$ 3,885,329</u>	<u>\$ 1,323,438</u>	<u>\$ 57,641</u>	<u>\$ 5,151,126</u>

Under the Town's agreement with the USDA, the Town will set aside an annual reserve payment at least equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in a future year is accumulated in the reserve fund. Thereafter, all payments are to be made into the depreciation and contingency fund.

The payments on the sewer revenue bonds will be paid out of the sales tax fund and/or the sewer fund. The capital leases and accrued leave benefits liabilities will be paid by the General Fund. The long-term debt is comprised of the following individual issues:

Capital Lease Payable-Governmental:

\$8,438 Capital lease payable dated 08/20/2017 due in monthly installments of \$276 from 09/20/2017 through 08/20/2020; interest at 10.923% \$ 6,363

Sales Tax Revenue Bonds Payable-Governmental:

\$1,315,000 Sales tax revenue bonds dated 09/17/2018 due in annual installments ranging from \$337,690 in 2018 to \$347,300 om 2021 with interest averaging 1.86% and 0.93% (secured by certain sales tax revenues) 1,315,000

Accrued Leave Payable-Governmental 74,361

Accrued Leave Payable-Proprietary 15,047

Sewer Revenue Bonds Payable-Proprietary:

\$4,030,000 Sewer revenue bonds dated 03/29/2011 due in an initial payment of \$170,799 on 03/28/2012 and then monthly

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

\$4,030,000 Sewer revenue bonds dated 03/29/2011 due in an initial payment of \$170,799 on 03/28/2012 and then monthly installments of \$17,651 from 04/28/2012 through 03/28/2051; interest at 4.25% (secured by sewer revenues) 3,740,356

Total \$ 5,151,127

The annual requirements to amortize all revenue bonds and capital leases outstanding at June 30, 2018 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Totals</u>
2019	\$ 375,645	\$ 177,686	\$ 553,331
2020	382,296	170,274	552,570
2021	391,211	162,296	553,507
2022	402,209	153,758	555,967
2023	63,860	147,956	211,816
2024-2028	363,297	695,787	1,059,084
2029-2033	449,144	609,940	1,059,084
2034-2038	555,278	503,806	1,059,084
2039-2043	686,491	372,593	1,059,084
2044-2048	848,711	210,373	1,059,084
2049-2051	<u>543,577</u>	<u>33,017</u>	<u>576,594</u>
Totals	<u>\$ 5,061,719</u>	<u>\$ 3,237,486</u>	<u>\$ 8,299,205</u>

In accordance with La. R.S. 39:562, the Town is legally restricted from incurring long-term bonded debt (payable solely from ad valorem taxes) in excess of 35% of the assessed value of taxable property in the Town. At June 30, 2018 the statutory limit is \$3,724,630.

NOTE H - COMPONENTS OF RESTRICTED ASSETS

	<u>On Deposit</u>	<u>Required</u>	<u>Over (Under)</u>
Restricted assets consisted of the following at June 30, 2018:			
Sewer revenue bond sinking account	\$ 3,244	\$ 0	\$ 3,244
Sewer revenue bond reserve account	72,278	71,517	761
Sewer revenue bond depreciation and contingency account	72,278	71,517	761
Sales tax bond sinking fund	329,789	306,991	22,798
Customer deposits – gas and water and sewer	231,900	181,774	50,126
Interest receivable on restricted assets	<u>3</u>	<u>3</u>	<u>-</u>
Total restricted assets	<u>\$709,492</u>	<u>\$631,802</u>	<u>\$ 77,690</u>

The first three accounts detail the restricted net position on the sewer fund bonds. The water fund restricted net position were related to excess customer meter deposits. The in general fund restricted assets were related to law enforcement expenses. There were various special revenue fund restrictions.

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE J - CONTINGENCIES

The Town participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Town believes that any disallowed costs as a result of such audits will be immaterial.

NOTE K - TRIBAL STATE COMPACT COMPLIANCE

The \$117,335 in operating transfers out of the gaming fund to the other funds were used entirely for reimbursement of police salaries of \$117,335.

NOTE L - LOCAL SERVICES AGREEMENT

On September 8, 1997 the Town entered into a local services agreement with the Allen Parish Libraries Board of Control, a subdivision of the Allen Parish Police Jury. The purpose was to construct a building in the Town to be used as a public library. The Town agreed to purchase land for the building, construct a building, be responsible for certain repairs, insure the building against loss, provide liability insurance and borrow money to accomplish the purposes of the agreement.

NOTE M - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees who have been employed by the Town for 12 consecutive months, permits them to defer a portion of their salaries until future years. The Town will match one-hundred percent (100%) of the employee's contribution to a maximum of five percent (5%) of the employee's salary. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

In management's opinion, the Town has no liability for losses under the plan. However, the Town does have the duty of due care that would be required of an ordinary prudent investor. The Town believes it is unlikely that it will use the plan assets to satisfy the claims of general creditors in the future.

NOTE N - ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana pays a portion of the salaries of the Town's police officers. These on-behalf payments have been recorded in the accompanying financial statements in accordance with GASB Statement 24 as intergovernmental revenues and expenditures as follows:

**Town of Kinder, Louisiana
Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

Intergovernmental Revenues:	
State	<u>\$ 68,250</u>
Expenditures:	
Salaries	<u>\$ 68,250</u>

NOTE O – OPERATING TRANSFERS

Operating transfers consisted of the following at June 30, 2018:

	Transfers In	Transfers Out
Major funds:		
General fund	\$ 669,517	\$ 9,558
Sales tax fund	-	642,614
Gaming fund	-	117,335
Sales tax bond sinking fund	337,690	1,315,000
Street improvement capital project fund	1,315,000	-
Water fund	2,599	102,187
Sewer fund	219,924	175,000
Gas fund	<u>6,964</u>	<u>190,000</u>
	<u>\$2,551,694</u>	<u>\$2,551,694</u>

Operating transfers are used to move revenues from the fund that is required by statute or budget to collect them to the fund that is required by statute or budget to expend them. Typically, most of the operating transfers are from proprietary funds into the general fund. The gaming fund transfers in the amount of \$117,335 are used to cover a portion of police salaries and sometimes police capital outlays. The largest operating transfer in the amount of \$1,315,000 was transferred from the Sales Tax Bond Sinking Fund to the Street Improvement Capital Projects Fund for a street project. The Sales Tax Fund transferred debt service payments totaling \$337,690 to the Sales Tax Bond Sinking Fund. The Sales Tax Fund also transferred debt service payments of \$219,924 to the Sewer Fund. The only interfund balances are in the Propriety Funds and they result from the credit/debit card collections by the Water Fund that belongs to the Gas and Sewer Fund that have not been transferred by the end of each month.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem	\$ 155,000	\$ 155,000	\$ 157,915	\$ 2,915
Public utility franchise	152,000	145,000	142,110	(2,890)
Licenses	135,000	135,000	132,916	(2,084)
Permits	6,735	5,030	6,326	1,296
Beer tax	7,000	6,300	7,912	1,612
Grant	64,200	66,450	73,061	6,611
Court fines	466,000	392,015	419,091	27,076
Police special	40,000	28,000	27,129	(871)
Drivers licenses	4,000	3,400	3,286	(114)
DWI	1,000	200	200	--
Interest	300	200	154	(46)
Miscellaneous	56,100	69,475	84,925	15,450
Total Revenues	1,087,335	1,006,070	1,055,025	48,955
Expenditures				
Current:				
Advertising - notices	5,000	5,000	6,549	(1,549)
Audit fees	5,500	5,500	5,500	--
Auto allowance - dog catcher	1,340	1,340	1,288	52
Care of prisoners	8,700	4,500	4,191	309
Contract labor	15,600	3,030	1,758	1,272
Dues	3,600	2,700	2,400	300
Engineering fees	5,000	4,590	5,740	(1,150)
Equipment rental	2,900	3,950	--	3,950
Gas and oil	34,750	35,730	36,696	(966)
Insurance	313,372	326,657	316,089	10,568
Intergovernmental	17,300	13,235	61,879	(48,644)
Materials and supplies	26,500	40,525	49,215	(8,690)
Miscellaneous	36,765	26,258	30,470	(4,212)
Office supplies	7,000	9,250	9,180	70
Payroll taxes	69,620	69,860	70,502	(642)
Per diem	1,500	1,875	1,907	(32)
Postage	1,100	3,580	3,193	387
Professional services	11,500	11,000	10,442	558
Repairs and maintenance	28,150	27,360	27,182	178
Retirement	110,050	106,227	98,071	8,156
Salaries	896,734	943,194	939,022	4,172
Salaries - dog catcher	13,390	13,390	12,856	534
Street lights	37,000	40,900	40,890	10
Telephone	18,800	20,675	20,693	(18)
Travel	5,600	3,542	4,541	(999)
Uniforms	6,000	6,350	6,114	236
Utilities	27,000	35,240	31,378	3,862
Capital outlays	25,000	25,000	8,438	16,562
Debt service:				
Principal retirement	--	--	2,960	(2,960)
Interest	--	--	721	(721)
Total Expenditures	1,734,771	1,790,458	1,809,865	(19,407)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(647,436)	(784,388)	(754,840)	29,548
Other Financing Sources (Uses)				
Capital Lease Proceeds	--	--	8,438	8,438
Operating transfers	--	--	659,959	659,959
Total Other Financing Sources (Uses)	--	--	668,397	668,397
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(647,436)	(784,388)	(86,443)	697,945
Net Change in Fund Balance	(647,436)	(784,388)	(86,443)	697,945
<i>Fund Balance at Beginning of Period</i>	<i>260,518</i>	<i>260,518</i>	<i>260,518</i>	<i>--</i>
Fund Balance at End of Period	\$ (386,918)	\$ (523,870)	\$ 174,075	\$ 697,945

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
DMV Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Special assessments	\$ 4,500	\$ 4,600	\$ 5,466	\$ 866
Interest	10	10	6	(4)
Total Revenues	<u>4,510</u>	<u>4,610</u>	<u>5,472</u>	<u>862</u>
Expenditures				
Miscellaneous	4,000	4,000	--	4,000
Repairs and maintenance	100	100	--	100
Total Expenditures	<u>4,100</u>	<u>4,100</u>	<u>--</u>	<u>4,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>410</u>	<u>510</u>	<u>5,472</u>	<u>4,962</u>
Net Change in Fund Balance	<u>410</u>	<u>510</u>	<u>5,472</u>	<u>4,962</u>
<i>Fund Balance at Beginning of Period</i>	8,770	8,770	8,770	--
Fund Balance at End of Period	<u>\$ 9,180</u>	<u>\$ 9,280</u>	<u>\$ 14,242</u>	<u>\$ 4,962</u>

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Gaming Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Gaming	179,500	173,896	168,256	(5,640)
Interest	\$ 4,200	\$ 4,400	\$ 2,916	\$ (1,484)
Total Revenues	<u>183,700</u>	<u>178,296</u>	<u>171,172</u>	<u>(7,124)</u>
Expenditures				
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,700	178,296	171,172	(7,124)
Other Financing Sources (Uses)				
Operating transfers	--	--	(117,335)	(117,335)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(117,335)</u>	<u>(117,335)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	183,700	178,296	53,837	(124,459)
Net Change in Fund Balance	<u>183,700</u>	<u>178,296</u>	<u>53,837</u>	<u>(124,459)</u>
Fund Balance at Beginning of Period	551,527	551,527	551,527	--
Fund Balance at End of Period	<u>\$ 735,227</u>	<u>\$ 729,823</u>	<u>\$ 605,364</u>	<u>\$ (124,459)</u>

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
HUD Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Grant	\$ 300,000	\$ 210,000	\$ 259,722	\$ 49,722
Interest	300	120	312	192
Total Revenues	<u>300,300</u>	<u>210,120</u>	<u>260,034</u>	<u>49,914</u>
Expenditures				
Miscellaneous	3,000	1,000	21	979
Section 8 housing	280,000	290,000	288,700	1,300
Total Expenditures	<u>283,000</u>	<u>291,000</u>	<u>288,721</u>	<u>2,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,300</u>	<u>(80,880)</u>	<u>(28,687)</u>	<u>52,193</u>
Net Change in Fund Balance	<u>17,300</u>	<u>(80,880)</u>	<u>(28,687)</u>	<u>52,193</u>
Fund Balance at Beginning of Period	126,749	126,749	126,749	--
Fund Balance at End of Period	<u>\$ 144,049</u>	<u>\$ 45,869</u>	<u>\$ 98,062</u>	<u>\$ 52,193</u>

See accompanying notes.

Town of Kinder, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Sales Tax Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Sales taxes	\$ 644,500	\$ 675,500	\$ 711,393	\$ 35,893
Less: collection fees	--	--	(15,556)	(15,556)
Grant	10,000	30,000	40,000	10,000
Interest	5,000	2,500	(192)	(2,692)
Total Revenues	<u>659,500</u>	<u>708,000</u>	<u>735,645</u>	<u>27,645</u>
Expenditures				
Current:				
Advertising - notices	--	--	1,110	(1,110)
Audit fees	10,500	13,500	13,500	--
Engineering fees	3,000	1,400	3,299	(1,899)
Materials and supplies	16,000	8,500	9,708	(1,208)
Miscellaneous	1,000	1,000	525	475
Professional services	5,000	28,000	55	27,945
Repairs and maintenance	72,250	66,823	77,181	(10,358)
Capital outlays	15,000	29,600	44,812	(15,212)
Debt service:				
Principal retirement	51,655	51,745	--	51,745
Interest	160,162	160,162	--	160,162
Total Expenditures	<u>334,567</u>	<u>360,730</u>	<u>150,190</u>	<u>210,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	324,933	347,270	585,455	238,185
Other Financing Sources (Uses)				
Operating transfers	--	--	(642,614)	(642,614)
Total Other Financing Sources (Uses)	--	--	(642,614)	(642,614)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	324,933	347,270	(57,159)	(404,429)
Net Change in Fund Balance	<u>324,933</u>	<u>347,270</u>	<u>(57,159)</u>	<u>(404,429)</u>
Fund Balance at Beginning of Period	2,168,852	2,168,852	2,168,852	--
Fund Balance at End of Period	<u>\$ 2,493,785</u>	<u>\$ 2,516,122</u>	<u>\$ 2,111,693</u>	<u>\$ (404,429)</u>

See accompanying notes.

TOWN OF KINDER, LOUISIANA
General Fund
Departmental Expenditures –
Budgetary Comparison Schedule
For The Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE				
Advertising - notices	\$ 5,000	5,000	\$ 6,349	\$ (1,349)
Audit fees	5,500	5,500	5,500	-
Contract labor	1,200	1,205	1,002	203
Dues	2,600	2,600	2,300	300
Engineering fees	5,000	4,590	5,740	(1,150)
Equipment rental	2,900	3,950	-	3,950
Gas and oil	1,750	1,930	2,298	(368)
Insurance	169,622	177,072	129,810	47,262
Material and supplies	5,500	5,500	6,978	(1,478)
Miscellaneous	22,900	18,988	20,598	(1,610)
Office supplies	5,000	8,000	7,834	166
Payroll taxes	15,435	18,165	18,190	(25)
Per diem	1,000	1,075	1,075	-
Postage	700	3,180	3,043	137
Professional services	5,000	5,000	4,884	116
Repairs and maintenance	11,600	11,915	12,547	(632)
Retirement	5,500	5,600	5,668	(68)
Salaries	212,190	248,570	259,135	(10,565)
Telephone	7,300	8,435	8,415	20
Travel	5,000	2,500	2,666	(166)
Utilities	18,200	23,585	22,089	1,496
TOTAL GENERAL AND ADMINISTRATIVE	\$ 508,897	\$ 562,360	\$ 526,121	\$ 36,239
STREET DEPARTMENT				
Care of prisoners	\$ 4,000	\$ 500	\$ 101	\$ 399
Contract labor	13,800	1,000	-	1,000
Gas and oil	8,000	9,800	9,221	579
Insurance	9,870	10,040	10,041	(1)
Materials and supplies	15,000	24,525	28,536	(4,011)
Miscellaneous	2,180	1,500	4,119	(2,619)
Payroll taxes	2,465	3,645	4,063	(418)
Repairs and maintenance	2,800	2,320	3,267	(947)
Retirement	1,250	312	312	-
Salaries	30,000	44,100	51,757	(7,657)
Street lights	37,000	40,900	40,890	10
Travel	-	-	203	(203)
Utilities	500	2,125	526	1,599
TOTAL STREET DEPARTMENT	\$ 126,865	\$ 140,767	\$ 153,036	\$ (12,269)

See accompanying notes.

TOWN OF KINDER, LOUISIANA
 General Fund
 Departmental Expenditures –
 Budgetary Comparison Schedule
 For The Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
POLICE DEPARTMENT				
Advertising – notices	\$ -	\$ -	\$ 200	\$ (200)
Auto allowance – dog catcher	1,340	1,340	1,288	52
Care of prisoners	4,700	4,000	4,090	(90)
Contract labor	600	825	756	69
Dues	1,000	100	100	-
Gas and oil	25,000	24,000	25,177	(1,177)
Insurance	94,080	100,545	138,224	(37,679)
Insurance-dispatchers	39,800	39,000	38,014	986
Intergovernmental	17,300	13,235	61,879	(48,644)
Materials and supplies	6,000	10,500	13,701	(3,201)
Miscellaneous	11,685	5,770	5,753	17
Office supplies	2,000	1,250	1,346	(96)
Payroll taxes	51,720	48,050	48,249	(199)
Per diem	500	800	832	(32)
Postage	400	400	150	250
Professional services	6,500	6,000	5,558	442
Repairs and maintenance	13,750	13,125	11,368	1,757
Retirement	103,300	100,315	92,091	8,224
Salaries	654,544	650,524	628,130	22,394
Salaries-dog catcher	13,390	13,390	12,856	534
Telephone	11,500	12,240	12,278	(38)
Travel	600	1,042	1,672	(630)
Uniforms	6,000	6,350	6,114	236
Utilities	8,300	9,530	8,763	767
TOTAL POLICE DEPARTMENT	<u>\$ 1,074,009</u>	<u>\$ 1,062,331</u>	<u>\$ 1,118,589</u>	<u>\$ (56,258)</u>

See accompanying notes.

TOWN OF KINDER, LOUISIANA
 General Fund
 Schedule of Town's Proportionate Share of
 Net Pension Liability
 Municipal Police Employee Retirement System (MPERS)

Last 10 Fiscal Years

Fiscal Year Ended June 30:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Town's proportion of the net pension liability (asset)	.105295%	.111447%	.107780%	.100676%	.094254%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Town's proportionate share of the net pension liability (asset)	\$919,270	\$1,044,572	\$844,344	\$629,838	\$752,942	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Town's covered-employee payroll	\$280,144	\$314,339	\$312,185	\$288,305	\$260,940	\$263,494	\$215,453	\$215,452	\$214,818	\$203,221
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	328.14%	332.31%	270.46%	218.46%	288.55%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Plan fiduciary net position as a percentage of the total pension liability	70.08%	66.04%	70.73%	75.10%	66.71%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

TOWN OF KINDER, LOUISIANA
General Fund
Schedule of Town's Contributions

Municipal Police Employee Retirement System (MPERS)

Last 10 Fiscal Years

Fiscal Year Ended June 30:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 86,144	\$ 99,803	\$ 92,094	\$ 90,816	\$ 80,891	\$ 69,826	\$ 57,095	\$ 53,863	\$ 23,630	\$ 19,306
Contributions in relation to the contractually required contribution	<u>(86,144)</u>	<u>(99,803)</u>	<u>(92,094)</u>	<u>(90,816)</u>	<u>(80,891)</u>	<u>(69,826)</u>	<u>(57,095)</u>	<u>(53,863)</u>	<u>(23,630)</u>	<u>(19,306)</u>
Contribution deficiency (excess)	<u>\$ _____</u>									
Town's covered-employee payroll	\$280,144	\$ 314,339	\$ 312,185	\$288,305	\$260,940	\$263,494	\$215,453	\$215,452	\$214,818	\$203,221
Contribution as a percentage of cover-employee payroll	30.75%	31.75%	29.5%	31.5%	31%	26.5%	26.5%	25%	11%	9.5%

TOWN OF KINDER, LOUISIANA
General Fund

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

(1) Budget and Budgetary Accounting

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

1. The Town Clerk prepares a proposed budget and presents it to the Mayor and Council prior to ninety days before the beginning of each fiscal year.
2. After the proposed budget is presented to the Mayor and Council, the Mayor publishes the proposed budget and notifies the public that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held by the Mayor and Council on the proposed budget at least ten days after publication of the call for the hearing.
4. Any changes in the proposed annual operating budget require a majority vote of the Mayor and Council.
5. No later than the last regular meeting of the fiscal year, the Mayor and Council adopts the annual operating budget for the ensuing fiscal year.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budget appropriations lapse at year-end.

(2) Excess of Expenditures Over Appropriations

Formal budgetary integration is employed as a management control device during the year, and encumbrance accounting is not used by the Town. Budgeted amounts included in the accompanying financial statements include the original adopted and final budget amounts. The budget was amended once during the year.

(3) Pension Information

The schedule of the Town's proportionate share of the net pension liability and the schedule of the Town's pension contributions are intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF KINDER, LOUISIANA
Enterprise Funds
Utility Funds
(Unaudited)

Schedule of Number of Utility Customers

June 30, 2018

Records maintained by the Town indicate the following number of customers being served during the months of June 2018, and June, 2017, respectively:

<u>Department</u>	<u>2017</u>			<u>2018</u>		
	Residential	Commercial	Total	Residential	Commercial	Total
Gas (metered)	805	85	890	797	85	882
Water (metered)	901	157	1,058	885	152	1,037
Sewerage	880	146	1,026	862	141	1,003

TOWN OF KINDER, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
June 30, 2018

Description of Coverage	Coverage Amounts
Workmen's Compensation:	
Employer's liability - Bodily Injury by Disease Per Accident	\$ 1,000,000
- Bodily Injury by Disease Policy Limit	1,000,000
- Bodily Injury by Accident Per Employee	1,000,000
Surety Bonds:	
Town clerk	5,000
Police clerk	5,000
Clerks each	5,000
General liability:	
Town-	
Personal Injury/Property Damage	500,000
Aggregate	1,000,000
Police-	
Personal Injury/Property Damage	500,000
Aggregate	1,000,000
Public officials' error and omissions	500,000
Fire, extended coverage, blanket policy:	
Buildings	3,964,370
Contents	223,500
Commercial auto comprehensive liability and collision (per vehicle):	
Collision	500,000

TOWN OF KINDER, LOUISIANA
Schedule of Compensation Paid to Mayor and Council Members
For The Year Ended June 30, 2018

DeWees, Maria	\$ 3,600
Fontenot, Christopher	3,600
Fontenot, Claude	3,600
LaFargue, Wayland – Mayor	27,098
Popillion, Sylvester	3,600
Van Norman, Angela	<u>3,600</u>
 Total Compensation Paid to Mayor and Council Members	 <u>\$ 45,098</u>

TOWN OF KINDER, LOUISIANA
Schedule of Compensation, Benefits and Other Payments to
Chief Executive Officer
For The Year Ended June 30, 2018

Chief Executive Officer: Wayland LaFargue, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$27,098
Benefits-insurance	55
Benefits-retirement	-0-
Benefits-cell phone	766
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	180
Reimbursements	-0-
Travel	-0-
Registration fees	200
Conference travel	314
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

ROYCE T. SCIMEMI, CPA, APAC



CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 210
Oberlin, LA 70655
Tele (337) 639-4334, Fax (337) 639-4068

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

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

October 1, 2018

Honorable Wayland LaFargue, Mayor
and the Town Council
Town of Kinder, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kinder, Louisiana, as of and for the years ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kinder, Louisiana's basic financial statements and have issued our report thereon dated October 1, 2018.

Internal Control Over Financial Reporting

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

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

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

Honorable Wayland LaFargue, Mayor
and the Town Council
Town of Kinder, Louisiana
October 1, 2018
Page 2

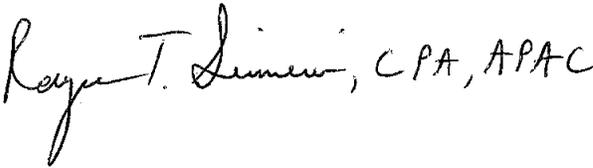
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kinder, Louisiana's basic 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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 of the State of Louisiana as a public document.

Royce T. Scimemi, CPA, APAC



TOWN OF KINDER, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS AND
RESPONSES (UNAUDITED)
For The Year Ended June 30, 2018

There were no current year findings.

TOWN OF KINDER, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
CURRENT YEAR AUDIT FINDINGS AND
RESPONSES (UNAUDITED)
For The Year Ended June 30, 2017

There were no prior year findings.

ROYCE T. SCIMEMI, CPA, APAC

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 210

Oberlin, LA 70655

Tele (337) 639-4334, Fax (337) 639-4068

Member
American Institute of
Certified Public Accountants

Member
Society of Louisiana
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Wayland LaFargue, Mayor
and the Town Council
Town of Kinder, Louisiana

October 1, 2018

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Kinder, Louisiana (Town) 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 Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the Town's written policies and procedures and observe that they address each of the following categories and subcategories:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
All addressed without exception.
 - 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.
All addressed without exception.
 - c) ***Disbursements***, including processing, reviewing, and approving.
All addressed without exception.
 - 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.
All addressed without exception.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
All addressed without exception.
 - 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.

All addressed without exception.

- 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.

All addressed without exception.

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

All addressed without exception.

- 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 Town's ethics policy.

None of the above four requirements were included in the policy provided (Exception).

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

All addressed without exception.

Council (or Finance Committee)

2. Obtain and inspect the council minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the council met with a quorum at least monthly, or on a frequency in accordance with the council's enabling legislation, charter, bylaws, or other equivalent document.

The minutes reflected that the managing council met monthly in accordance with enabling legislation without exception.

- b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements for major proprietary funds.

Monthly income statements with budgetary comparisons and variances were provided to the Council and Mayor by handout. However, the minutes did not reflect this provision and there was no evidence found or references made in the minutes from July of 2017 through October of 2017. (Exception)

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

No minutes for any meeting referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund. (Exception)

Bank Reconciliations

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

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g. initialed and dated, electronically logged):

The listing was provided by management. Each bank account selected was reconciled within the two-month time frame without exception.

- b) Bank reconciliations include evidence that a member of management/council member who does not handle cash, posting ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and

The Town Clerk initialed all bank reconciliations. The Town Clerk occasionally makes deposits, handles cash at collection points, and does sign checks (Exception). Note that there are also two other members of management that sign the checks (Compensating Control).

- 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.

Management has researched all outstanding reconciling items older than 12 months and is in the process of submitting any qualifying payment items to the State of Louisiana Unclaimed Property Division.

Collections

4. Obtain a listing of each deposit site for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.

The listing was provided by management.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site, obtain and inspect written policies and procedures relating to employees' job duties at each collection location, and observe that the 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.

All of the employees that collect non-police payments share two cash drawers (Exception).

- 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.

The Town has a formal process to reconcile sequentially pre-numbered receipts and cash collections to the general ledger by revenue source, but this reconciliation is done by an employee who is also responsible for some cash collections and some of the associated recording of transactions as well as preparing/making bank deposits (Exception).

- 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.

Since the collection data for each collection location is integrated with the accounting system and automatically posts at the end of each day, each employee who collects cash is also responsible for collection entries to the general ledger (Exception).

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

There is an employee who is responsible for reconciling cash collections to the general ledger who also collects cash. However, another employee verifies the reconciliation.

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

Each person responsible for handling cash is bonded without exception.

7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above. Obtain supporting documentation for each of the 10 deposits and:

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

Receipts were sequentially pre-numbered without exception.

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

The sequentially pre-number receipts on the tested 10 deposits were traced to the associated deposit slips without exception.

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

The deposit slip totals on the tested 10 deposits were traced to the bank statement deposit without exception.

- d) Observe that the deposit was made within one business day of receipt at the collection location.

The tested 10 deposits were made within one business day of receipt without exception.

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

The tested 10 deposits were traced to the general ledger without exception.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations.

The listing was provided by management.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Two or more 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.

All addressed without exception. Signatures on checks are considered approval of payments.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The accounts payable clerk is responsible for processing payments and has the authority to add/modify vendor files. However, another employee is responsible for periodically reviewing changes to the 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.

The employee responsible for signing checks gives the signed checks to an employee to mail who is not responsible for processing payments without exception.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Management provided the transaction population without exception.

- a) Observe that the disbursement matched the related original invoice/billing statement.

For all 5 disbursements tested, the amounts matched the related original invoice without exception.

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

The disbursement documentation included evidence of segregation of duties that separates the approval of the disbursements between two different employees.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No prior year exceptions in this category. Testing not required.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g. original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

N/A

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

N/A

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

N/A

Travel and Expense Reimbursement

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

Management provided the requested list.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Administration (www.gsa.gov).

The Town utilizes a standard per diem rate of \$60 per day for meals and incidental expenses. This exceeds the standard GSA rate of \$51 per day by \$9 (Exception).

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

Of the five disbursements tested, the Town did not reimburse any employees for actual costs.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Of the five disbursements tested, all five were supported by documentation of the business/public purpose as required by written policy.

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

Of the five disbursements tested, all five were reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Contracts

- 15. Obtain from management a listing of all contracts/agreements for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete.

Management provided the listing.

Randomly select five contracts from the listing, excluding the practitioner's contract and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g. solicited quotes or bids, advertised), if required by law.

One contract of the five tested contracts was required to be and was actually bid and let in accordance with the Public Bid Law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law.

Two of the five tested contracts were required to be approved by the council and were approved by the council. The other three contracts were approved by the Mayor.

- c) If the contract was amended, observe that the original contract terms provided for such an amendment.

One of the five contracts tested was amended in the next fiscal year. The original contract terms allowed for an such amendment.

- d) Randomly select one payment from the fiscal period for each of the five contracts, obtain supportive invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agree to the terms and conditions of the contract.

The supporting invoices on all five of the tested payments were in accordance with the contract terms and agreed in amount with the terms and conditions of the contracts.

Payroll and Personnel

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

Management provided the listing.

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

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g. vacation, sick, and compensatory).

Documentation of daily attendance and leave for all employees tested was provided without exception.

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

There was no written documentation of supervisor's approval for leave for the five employees tested (Exception).

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

The Town maintained written leave records reflecting the hours earned, the hours used, and the cumulative balance available at fiscal year-end without exception.

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

The listing was provided by management. Only one employee was terminated during the fiscal year. The termination payment made to that employee was in strict accordance with the police termination policy.

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

All payments were made timely and required forms were filed on time without exception.

Ethics

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

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

The documentation demonstrated that all 5 employees tested had completed their one hour of ethics training during the fiscal period.

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

No signed verifications were provided reflecting that employee/officials had read the Town's ethics policy during the fiscal year (Exception).

Debt Service

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

Management provided the listing. The State Bond Commission approved the two bonds issued during the year without exception. The State Bond Commission did not approve a capital lease for the purchase of a copier, entered into during the fiscal year, but a non-appropriation clause was provided in that lease. Therefore, the State Bond Commission approval was not required for that capital lease.

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

Supporting documentation for the reserve balances and payments were provided that demonstrated compliance with the associated requirements for funding under the debt covenants without exception.

Other

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

Management informed us that the Town did not have any misappropriation of public funds or assets during the fiscal year.

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

The Town did have the required notice posted in a conspicuous place upon its premises but not on its website (Exception).

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.

Royce T. Scimemi, CPA, APAC

Royce T. Scimemi, CPA, APAC