

Town of Kentwood, Louisiana

Annual Financial Statements

As of and for the Year Then Ended December 31, 2017
With Supplemental Information Schedules

Town of Kentwood
Annual Financial Statements
As of and for the Year Ended December 31, 2017
With Supplemental Information Schedules
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Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

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

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities,, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of December 31, 2017, and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for the Retiree Health Plan, the Schedule of the Town's Proportionate Share of Net Pension Liability, and Schedule of the Town's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

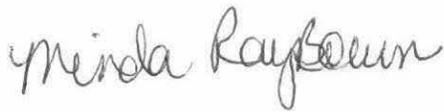
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kentwood, Louisiana's basic financial statements. The accompanying schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional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

The information for the year ended December 31, 2017 in the schedules listed as Other Supplemental Information and the Financial Data Schedules Required by the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information for the year ended December 31, 2017 in the schedules listed as Other Supplemental Information and the Financial Data Schedules Required by the U.S. Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining and individual fund statements, statistical sections, schedule of insurance, schedule of compensation paid to board members, and schedule of compensation, benefits, and other payments to agency head were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 28, 2018, on my consideration of the Town of Franklinton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Franklinton's internal control over financial reporting and compliance.

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

Minda Raybourn
Franklinton, LA

June 28, 2018

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Introduction

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

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

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

Financial Highlights

- At December 31, 2017, the Town's assets exceeded its liabilities by \$5,132,323 (net position). Of this amount, \$707,071 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens.
- For the year ended December 31, 2017, the Town's total net position decreased by \$151,845.
- At December 31, 2017, the Town's governmental funds reported combined ending fund balances of \$3,030,755, an increase of \$704,402 for the year. Of this amount, \$190,926 or six percent is available for spending at the Town's discretion (unassigned fund balances).
- At December 31, 2017, the Town's proprietary funds reported combined ending net position of \$2,294,730, an increase of \$464,117 for the year. Unrestricted net position has a deficit balance of (\$75,769).
- For the year ended December 31, 2017, the Town's total long term debt for the proprietary fund decreased by \$123,352, due to principal payments of \$123,352.
- For the year ended December 31, 2017, the Town's total long term debt for governmental activities increased by \$1,155,110, due to the issue of Series 2017, Revenue Bonds for recreation of \$1,207,935, including bond premium, and principal payments of \$52,825.

Overview of the Annual Financial Report

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

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

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

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

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

Notes to the Financial Statements

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

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Government-Wide Financial Analysis

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

Net Position 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$ 3,200,426	\$ 2,494,677	\$ 780,535	\$ 1,428,934	\$ 3,980,961	\$ 3,923,611
Capital Assets	2,050,088	2,114,870	5,021,376	4,619,414	7,071,464	6,734,284
Total Assets	<u>5,250,514</u>	<u>4,609,547</u>	<u>5,801,911</u>	<u>6,048,348</u>	<u>11,052,425</u>	<u>10,657,895</u>
Deferred Outflows of Resources						
Pension Related	388,745	320,077	105,306	106,234	494,051	426,311
Total Deferred Outflows of Resources	<u>388,745</u>	<u>320,077</u>	<u>105,306</u>	<u>106,234</u>	<u>494,051</u>	<u>426,311</u>
Liabilities:						
Long-Term Debt Outstanding	2,428,381	1,095,870	3,047,964	3,143,485	5,476,345	4,239,355
Other Liabilities	264,277	224,003	557,993	1,144,159	822,270	1,368,162
Total Liabilities	<u>2,692,658</u>	<u>1,319,873</u>	<u>3,605,957</u>	<u>4,287,644</u>	<u>6,298,615</u>	<u>5,607,517</u>
Deferred Inflows of Resources						
Pension Related	109,008	156,196	6,530	6,306	115,538	162,502
Unearned Revenue	-	-	-	30,019	-	30,019
Total Deferred Inflows of Resources	<u>109,008</u>	<u>156,196</u>	<u>6,530</u>	<u>36,325</u>	<u>115,538</u>	<u>192,521</u>
Net Position:						
Net Investment in Capital Assets	1,639,210	1,801,968	2,369,972	2,195,527	4,009,182	3,997,495
Restricted	415,543	475,080	527	287,681	416,070	762,761
Unrestricted	782,840	1,176,507	(75,769)	(652,595)	707,071	523,912
Total Net Position	<u>\$ 2,837,593</u>	<u>\$ 3,453,555</u>	<u>\$ 2,294,730</u>	<u>\$ 1,830,613</u>	<u>\$ 5,132,323</u>	<u>\$ 5,284,168</u>

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

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

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

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for separate governmental activities. Business-type activities had a deficit unrestricted balance of (\$75,769). The prior fiscal year reported positive balances for the Town as a

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

whole, as well as for separate governmental activities. Business-type activities had a deficit unrestricted balance of (\$652,595) in the prior year.

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

Changes in Net Position For the years ended December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 332,522	\$ 288,464	\$ 1,856,093	\$ 1,733,970	\$ 2,188,615	\$ 2,022,434
Operating Grants and Contributions	83,109	68,695	7,987	8,101	91,096	76,796
Capital Grants and Contributions	28,576	62,950	-	-	28,576	62,950
General Revenues:						
Taxes	1,174,876	1,033,129	-	-	1,174,876	1,033,129
Tang Fire Dist 2 Allocation	561,294	574,628	-	-	561,294	574,628
Interest Income	19,364	13,963	10,672	21,182	30,036	35,145
Miscellaneous	18,032	14,552	1,050	1,470	19,082	16,022
On Behalf Payments	86,879	63,820	-	-	86,879	63,820
Insurance Settlement	-	1,807	-	-	-	1,807
Gain (Loss) on Sale of Assets	1,500	485	-	200	1,500	685
Total Revenues	<u>2,306,152</u>	<u>2,122,493</u>	<u>1,875,802</u>	<u>1,764,923</u>	<u>4,181,954</u>	<u>3,887,416</u>
Expenses:						
General Government	867,125	833,167	-	-	867,125	833,167
Public Safety - Police Protection	763,628	698,276	-	-	763,628	698,276
Public Safety - Fire Protection	583,537	545,050	-	-	583,537	545,050
Public Works - Streets and Sanitation	569,897	548,858	-	-	569,897	548,858
Health and Welfare	13,188	-	-	-	13,188	-
Recreation	60,109	27,703	-	-	60,109	27,703
Economic Development	12,514	13,105	-	-	12,514	13,105
Bond Interest Expense	11,793	-	-	-	11,793	-
Capital Lease Interest	10,842	14,877	-	-	10,842	14,877
Water, Gas, and Sewer Utility	-	-	1,049,636	1,013,092	1,049,636	1,013,092
Housing Assistance	-	-	380,361	371,859	380,361	371,859
Total Expenses	<u>2,892,633</u>	<u>2,681,036</u>	<u>1,429,997</u>	<u>1,384,951</u>	<u>4,322,630</u>	<u>4,065,987</u>
Change in Net Position Before Transfers	(586,481)	(558,543)	445,805	379,972	(140,676)	(178,571)
Transfers (Out) In	(29,481)	50,839	18,312	(771,262)	(11,169)	(720,423)
Change in Net Position	(615,962)	(507,704)	464,117	(391,290)	(151,845)	(898,994)
Net Position, Beginning	3,453,555	3,961,259	1,830,613	2,221,903	5,284,168	6,183,162
Net Position, Ending	<u>\$ 2,837,593</u>	<u>\$ 3,453,555</u>	<u>\$ 2,294,730</u>	<u>\$ 1,830,613</u>	<u>\$ 5,132,323</u>	<u>\$ 5,284,168</u>

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Governmental Activities

The Town's governmental net position decreased by \$615,962 or eighteen percent of the prior year ending net position of \$3,453,555.

Sales taxes decreased \$4,359 to a balance of \$850,303 at December 31, 2017. Ad Valorem taxes increased by \$148,820 totaling \$271,431 at fiscal year-end. The allocation for the Kentwood Volunteer Fire Department, from the Tangipahoa Rural Fire Protection District No. 2, decreased by \$13,334 from \$574,628 at December 31, 2016, to \$561,294 at December 31, 2017.

Increases in expenditures were most notable for Police Protection, with a \$65,352 increase for 2017 (9%), increasing from \$698,276 at prior fiscal year end to \$763,628 at December 31, 2017. For police protection expenses, the biggest increases were an increase in employee benefits of \$38,108, and an increase of \$24,933 for salaries.

Business-Type Activities

The business-type activities recorded an increase in net position of \$464,117 as compared to the 2016 decrease in net position of \$391,290. The nonoperational increase in net position was caused by \$771,262 of net operating transfer out in the prior year. Net position before transfers for all business activities increased by \$445,805 in 2017, as compared to \$379,972 for 2016. Total operating expenses for the Utility Fund increased \$36,544 or four percent. Utility charges for services increased approximately \$122,123 or seven percent in 2017. Housing assistance costs increased \$8,502 or about two percent for 2017.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Fund Financial Analysis

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

Governmental Funds

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$3,030,755, \$1,232,997 of which is assigned for the volunteer fire department, \$239,755 is restricted for capital projects, \$68,028 is assigned for the LHFA fund for current repair work on units and future projects, \$113,577 is restricted for recreation operations or construction, \$87,569 is restricted for debt service relating to recreations, and \$1,049,199 is restricted for construction due to bond proceeds. An amount of \$190,926 is unassigned and available for spending at the Town's discretion. An amount of \$48,704 is in prepaid assets and is unspendable.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$452,865. The General Fund had \$190,926 unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund unassigned fund balance represents eight percent of total general fund expenditures.

Proprietary Funds

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

Governmental Fund Budgetary Highlights

Total revenues and other sources and total expenditures and other uses for the Town of Kentwood were within five percent of budgeted revenues and other sources and expenditures and other uses for the fiscal year ending December 31, 2017 for the General Fund and Special Revenue Funds, except for the Recreation Ad Valorem Fund. In the Recreation Ad Valorem Fund, revenues and other sources were less than five percent of the budgeted revenues and other sources. During the budget process, the bond proceeds were included in the fund; however, after further research these proceeds should have been included in a capital project fund. The bond proceeds were recorded in a capital project fund at fiscal year-end which created this variance.

Town of Kentwood

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$7,071,464 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$337,180 (net of depreciation).

A mower for the recreation department was purchased for \$2,500. The museum had roof improvements completed in the amount of \$29,435. Office furniture was purchased at a cost of \$3,857. New street department equipment was purchased for \$2,144. The Town also began the park project during the fiscal year-end. Costs of \$36,134 were incurred during the fiscal year.

The Town sold a 2002 Ford Crown Victoria for \$1,500 during the fiscal year. The original cost of the equipment was \$7,900, which was fully depreciated.

In the business-type activities, the Town signed an agreement in 2013 with Owen and White for a new water well and water tank rehabilitation. Costs of \$574,536 were incurred during the fiscal year. This included \$117,468 of accrued construction interest.

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

Capital Assets (Net of Depreciation) 2017 and 2016

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 619,126	\$ 619,126	\$ 21,100	\$ 21,100	\$ 640,226	\$ 640,226
Construction in Progress	36,134	-	2,681,493	2,106,957	2,717,627	2,106,957
Buildings and Improvements	2,018,885	1,989,450	46,639	46,639	2,065,524	2,036,089
Machinery and Equipment	1,240,101	1,239,500	248,052	248,052	1,488,153	1,487,552
Infrastructure	48,623	48,623	-	-	48,623	48,623
Gas Utility System	-	-	806,868	806,868	806,868	806,868
Water Utility System	-	-	2,568,389	2,568,389	2,568,389	2,568,389
Sewer Utility System	-	-	4,641,996	4,641,996	4,641,996	4,641,996
Subtotal Capital Assets	3,962,869	3,896,699	11,014,537	10,440,001	14,977,406	14,336,700
Less: Accumulated Depreciation	(1,912,781)	(1,781,829)	(5,993,161)	(5,820,587)	(7,905,942)	(7,602,416)
Capital Assets, Net	\$ 2,050,088	\$ 2,114,870	\$ 5,021,376	\$ 4,619,414	\$ 7,071,464	\$ 6,734,284

Long-Term Debt

At December 31, 2017, the Town had total long term debt outstanding from bonds payable and capital leases of \$4,243,251, not including unamortized bond premium of \$7,935. Of this total, \$208,073 is due within one year and \$4,035,178 is due within greater than one year. The following table provides a summary of the Town's

Town of Kentwood

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017**

outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 13 to the financial statements in this report.

**Outstanding Debt
2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Capital Leases	\$ 260,077	\$ 312,902	\$ 36,178	\$ 50,884	\$ 296,255	\$ 363,786
Revenue Bonds	1,207,935	-	2,746,996	2,855,642	3,954,931	2,855,642
Total Outstanding Debt	<u>\$ 1,468,012</u>	<u>\$ 312,902</u>	<u>\$ 2,783,174</u>	<u>\$ 2,906,526</u>	<u>\$ 4,251,186</u>	<u>\$ 3,219,428</u>

Other Factors Affecting the Town

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

Contacting the Town's Financial Management

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

Basic Financial Statements
Government-Wide Financial Statements

Town of Kentwood
Statement of Net Position
As of December 31, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 29,619	\$ 115,772	\$ 145,391
Receivables, Net:			
Accounts	-	226,141	226,141
Intergovernmental	289,395	192	289,587
Taxes	134,240	-	134,240
Other	1,122,443	628	1,123,071
Due From Other Funds	71,560	5,781	77,341
Inventory	22,722	4,129	26,851
Prepaid Insurance	48,704	995	49,699
Total Current Assets	1,718,683	353,638	2,072,321
Restricted Assets:			
Restricted Cash and Cash Equivalents	1,481,743	426,897	1,908,640
Total Restricted Assets	1,481,743	426,897	1,908,640
Capital Assets:			
Land	619,126	21,100	640,226
Construction in Progress	36,134	2,681,493	2,717,627
Capital Assets, Net	1,394,828	2,318,783	3,713,611
Total Capital Assets, Net	2,050,088	5,021,376	7,071,464
Total Assets	5,250,514	5,801,911	11,052,425
Deferred Outflows of Resources			
Pension Related	388,745	105,306	494,051
Total Deferred Outflows of Resources	388,745	105,306	494,051
Liabilities			
Current Liabilities:			
Accounts Payable	45,331	46,404	91,735
Other Accrued Payables	118,559	172,057	290,616
Due To Other Funds	5,781	71,560	77,341
Customer Deposits	-	139,511	139,511
Accrued Interest	14,994	-	14,994
Bonds Payable	25,000	113,283	138,283
Capital Leases	54,612	15,178	69,790
Total Current Liabilities	264,277	557,993	822,270
Long Term Liabilities:			
Bonds Payable	1,182,935	2,633,713	3,816,648
Capital Leases	205,465	21,000	226,465
Other Post Employment Benefit Obligation	54,052	10,241	64,293
Net Pension Liability	878,773	297,025	1,175,798
Accrued Sick Leave Convertible to Retirement	107,156	85,985	193,141
Total Long Term Liabilities	2,428,381	3,047,964	5,476,345
Total Liabilities	2,692,658	3,605,957	6,298,615
Deferred Inflows of Resources			
Pension Related	109,008	6,530	115,538
Unearned Revenue	-	-	-
Total Deferred Inflows of Resources	109,008	6,530	115,538
Net Position			
Net Investment in Capital Assets	1,639,210	2,369,972	4,009,182
Restricted for:			
Capital Projects and Debt Service	415,543	-	415,543
Housing Activities	-	527	527
Unrestricted	782,840	(75,769)	707,071
Total Net Position	\$ 2,837,593	\$ 2,294,730	\$ 5,132,323

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

Town of Kentwood
Statement of Activities
For the year ended December 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
General Government	\$ 867,125	\$ 200,524	\$ 7,971	\$ 28,576
Public Safety - Police Protection	763,628	16,859	6,773	-
Public Safety - Fire Protection	583,537	-	65,184	-
Public Works - Streets and Sanitation	569,897	99,777	3,181	-
Health and Welfare	13,188	-	-	-
Recreation	60,109	-	-	-
Economic Development	12,514	15,362	-	-
Bond Interest Expense	11,793	-	-	-
Capital Lease Interest	10,842	-	-	-
Total Governmental Activities	<u>\$ 2,892,633</u>	<u>\$ 332,522</u>	<u>\$ 83,109</u>	<u>\$ 28,576</u>
Business-type Activities				
Gas	\$ 499,988	\$ 471,490	\$ 5,610	\$ -
Water	334,684	659,831	1,064	-
Sewer	214,964	365,754	1,313	-
Housing Assistance	380,361	359,018	-	-
Total Business-type Activities	<u>\$ 1,429,997</u>	<u>\$ 1,856,093</u>	<u>\$ 7,987</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes

Intergovernmental - Allocation from Tangipahoa Fire District Number 2

Sales Taxes

Franchise Taxes

Other

Interest Income

Miscellaneous

On Behalf Payments - State Supplemental Pay for Police

Operating Transfers In (Out) to Town Funds

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

Gain (Loss) on Sale of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Statement B

Net (Expenses) Revenues and Changes of Primary Government			
Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
\$ (630,054)	\$ (630,054)	\$ -	\$ (630,054)
(739,996)	(739,996)	-	(739,996)
(518,353)	(518,353)	-	(518,353)
(466,939)	(466,939)	-	(466,939)
(13,188)	(13,188)	-	(13,188)
(60,109)	(60,109)	-	(60,109)
2,848	2,848	-	2,848
(11,793)	(11,793)	-	(11,793)
(10,842)	(10,842)	-	(10,842)
<u>\$ (2,448,426)</u>	<u>(2,448,426)</u>	<u>-</u>	<u>(2,448,426)</u>
\$ (22,888)	-	(22,888)	(22,888)
326,211	-	326,211	326,211
152,103	-	152,103	152,103
(21,343)	-	(21,343)	(21,343)
<u>\$ 434,083</u>	<u>-</u>	<u>434,083</u>	<u>434,083</u>
	271,431	-	271,431
	561,294	-	561,294
	850,303	-	850,303
	44,623	-	44,623
	8,519	-	8,519
	19,364	10,672	30,036
	18,032	1,050	19,082
	86,879	-	86,879
	(18,312)	18,312	-
	(11,169)	-	(11,169)
	1,500	-	1,500
	<u>1,832,464</u>	<u>30,034</u>	<u>1,862,498</u>
	<u>(615,962)</u>	<u>464,117</u>	<u>(151,845)</u>
	<u>3,453,555</u>	<u>1,830,613</u>	<u>5,284,168</u>
	<u>\$ 2,837,593</u>	<u>\$ 2,294,730</u>	<u>\$ 5,132,323</u>

Basic Financial Statements

Fund Financial Statements

Town of Kentwood
Balance Sheet, Governmental Funds
As of December 31, 2017

	<u>General Fund</u>	<u>Volunteer Fire Department</u>	<u>LHFA Special Revenue Fund</u>	<u>Recreation Ad Valorem Special Revenue Fund</u>	<u>Recreation Debt Service Fund</u>	<u>Recreation Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets							
Cash and Equivalents	\$ 22,539	\$ 7,099	\$ 75,370	\$ -	\$ -	\$ -	\$ 105,008
Investments	-	-	-	-	-	-	-
Receivables, Net:							
Intergovernmental	120,747	1,290,525	-	-	-	-	1,411,272
Ad Valorem Taxes	68,944	-	-	49,726	-	-	118,670
Franchise Taxes	10,949	-	-	-	-	-	10,949
Gaming	4,621	-	-	-	-	-	4,621
Other	566	-	-	-	-	-	566
Due From Other Funds	145,061	414	-	63,851	-	-	209,326
Inventory	22,722	-	-	-	-	-	22,722
Prepaid Insurance	22,184	24,545	1,975	-	-	-	48,704
Restricted Cash	239,755	-	-	-	107,741	1,058,858	1,406,354
Total Assets	<u>\$ 658,088</u>	<u>\$ 1,322,583</u>	<u>\$ 77,345</u>	<u>\$ 113,577</u>	<u>\$ 107,741</u>	<u>\$ 1,058,858</u>	<u>\$ 3,338,192</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 44,578	\$ 753	\$ -	\$ -	\$ -	\$ -	\$ 45,331
Other Accrued Liabilities	96,380	11,220	1,300	-	-	9,659	118,559
Due to Other Funds	64,265	53,068	6,042	-	20,172	-	143,547
Total Liabilities	<u>205,223</u>	<u>65,041</u>	<u>7,342</u>	<u>-</u>	<u>20,172</u>	<u>9,659</u>	<u>307,437</u>
Fund Balances:							
Nonspendable	22,184	24,545	1,975	-	-	-	48,704
Restricted	239,755	-	-	113,577	87,569	1,049,199	1,490,100
Assigned	-	1,232,997	68,028	-	-	-	1,301,025
Unassigned	190,926	-	-	-	-	-	190,926
Total Fund Balances	<u>452,865</u>	<u>1,257,542</u>	<u>70,003</u>	<u>113,577</u>	<u>87,569</u>	<u>1,049,199</u>	<u>3,030,755</u>
Total Liabilities and Fund Balances	<u>\$ 658,088</u>	<u>\$ 1,322,583</u>	<u>\$ 77,345</u>	<u>\$ 113,577</u>	<u>\$ 107,741</u>	<u>\$ 1,058,858</u>	<u>\$ 3,338,192</u>

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

Town of Kentwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2017

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

Fund Balances, Total Governmental Funds (Statement C)	\$	3,030,755
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation		2,050,088
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General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is:

Net Pension Liability		(878,773)
Deferred Outflows of Resources		388,745
Deferred Inflows of Resources		(109,008)
Capital Lease Payable		(260,077)
Accrued Interest		(14,994)
Bonds Payable		(1,200,000)
Unamortized Bond Premium		(7,935)

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

Accrued Sick Leave Convertible to Retirement		(107,156)
Unfunded Net Other Post Employment Benefits Obligation for Health Insurance		(54,052)

Net Position of Governmental Activities (Statement A)	\$	<u><u>2,837,593</u></u>
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The accompanying notes are an integral part of these financial statements.

Town of Kentwood
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2017

	General Fund	Volunteer Fire Department	LHFA Special Revenue Fund	Ad Valorem Special Revenue	Recreation Debt Service Fund	Recreation Capital Projects Fund	Total Governmental Funds
Revenues							
Taxes	\$ 1,061,299	\$ 502,324	\$ -	\$ 113,577	\$ -	\$ -	\$ 1,677,200
Licenses and Permits	153,106	-	-	-	-	-	153,106
Intergovernmental	39,181	105,235	-	-	-	-	144,416
Charges for Services	35,829	-	15,362	-	-	-	51,191
Fines and Forfeitures	16,859	-	-	-	-	-	16,859
Sanitation Fees	99,777	-	-	-	-	-	99,777
Interest	4,059	13,030	403	-	139	1,733	19,364
Donations	297	-	-	-	-	-	297
On Behalf Payments - Supplemental Pay	86,879	-	-	-	-	-	86,879
Miscellaneous	17,289	10,267	-	-	-	-	27,556
Total Revenues	<u>1,514,575</u>	<u>630,856</u>	<u>15,765</u>	<u>113,577</u>	<u>139</u>	<u>1,733</u>	<u>2,276,645</u>
Expenditures							
General Government	808,512	-	-	-	-	-	808,512
Public Safety:							
Police	658,337	-	-	-	-	-	658,337
Fire	161,220	401,945	-	-	-	-	563,165
Public Works	532,332	-	-	-	-	-	532,332
Health and Welfare	13,188	-	-	-	-	-	13,188
Recreation	2,328	-	-	-	-	-	2,328
Economic Development	-	-	4,331	-	-	-	4,331
Capital Outlays	35,436	11,169	-	-	-	38,634	85,239
Debt Service							
Principal	52,825	-	-	-	-	-	52,825
Interest	10,629	-	-	-	-	-	10,629
Total Expenditures	<u>2,274,807</u>	<u>413,114</u>	<u>4,331</u>	<u>-</u>	<u>-</u>	<u>38,634</u>	<u>2,730,886</u>
Excess (Deficiency) of Revenues Over (Under) (Expenditures)	<u>(760,232)</u>	<u>217,742</u>	<u>11,434</u>	<u>113,577</u>	<u>139</u>	<u>(36,901)</u>	<u>(454,241)</u>
Other Financing Sources (Uses)							
Operating Transfers In	-	-	-	-	87,430	-	87,430
Operating Transfers (Out)	(18,312)	-	-	-	-	(87,430)	(105,742)
Other Nonoperating Revenue	-	1,925	-	-	-	-	1,925
Sale of Fixed Assets	1,500	-	-	-	-	-	1,500
Bond Proceeds	-	-	-	-	-	1,208,069	1,208,069
Bond Issuance Costs	-	-	-	-	-	(34,539)	(34,539)
Total Other Financing Sources (Uses)	<u>(16,812)</u>	<u>1,925</u>	<u>-</u>	<u>-</u>	<u>87,430</u>	<u>1,086,100</u>	<u>1,158,643</u>
Net Change in Fund Balances	<u>(777,044)</u>	<u>219,667</u>	<u>11,434</u>	<u>113,577</u>	<u>87,569</u>	<u>1,049,199</u>	<u>704,402</u>
Fund Balances, Beginning	<u>1,229,909</u>	<u>1,037,875</u>	<u>58,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,326,353</u>
Fund Balances, Ending	<u>\$ 452,865</u>	<u>\$ 1,257,542</u>	<u>\$ 70,003</u>	<u>\$ 113,577</u>	<u>\$ 87,569</u>	<u>\$ 1,049,199</u>	<u>\$ 3,030,755</u>

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

Town of Kentwood
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2017

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

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 704,402

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

Issuance of long-term debt	\$ (1,200,000)	
Bond Premium on Issuance	(8,069)	
Amortization of Bond Premium	<u>134</u>	(1,207,935)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	85,239	
Less:		
Proceeds from sale of assets	485	
Gain on sale of assets	(485)	
Transfer of capital asset additions to Tangipahoa Fire District Number 2	(11,169)	
Current year depreciation	<u>(138,852)</u>	(64,782)

Compensated Absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities. (This entry records the change in compensated absences) 3,399

Decreases in unfunded post-employment benefit obligations for medical insurance expected in future periods are not recorded for governmental funds on the fund basis. (8,958)

Non-employer contributions to cost-sharing pension plan 26,082
Pension Expense (108,855)

Accrued interest expense is not due and payable in the current period and, therefore, is not reported in the governmental funds (12,140)

Repayment of capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position.

Principal payments - capital leases	<u>52,825</u>	
Change in Net Position of Governmental Activities, Statement B	\$ <u>(615,962)</u>	

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

Town of Kentwood
Statement of Net Position - Proprietary Funds
As of December 31, 2017

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 115,772	\$ -	\$ 115,772
Receivables, Net	226,769	-	226,769
Due From State	192	-	192
Due From Other Funds	5,781	-	5,781
Inventory	4,129	-	4,129
Prepaid Insurance	995	-	995
Total Current Assets	<u>353,638</u>	<u>-</u>	<u>353,638</u>
Restricted Assets:			
Restricted Cash and Cash Equivalents	414,562	12,335	426,897
Total Restricted Assets	<u>414,562</u>	<u>12,335</u>	<u>426,897</u>
Property, Plant, and Equipment			
Land	21,100	-	21,100
Construction in Progress	2,681,493	-	2,681,493
Property, Plant and Equipment, Net	2,318,783	-	2,318,783
Total Property, Plant, and Equipment	<u>5,021,376</u>	<u>-</u>	<u>5,021,376</u>
Total Assets	<u>5,789,576</u>	<u>12,335</u>	<u>5,801,911</u>
Deferred Outflows of Resources			
Pension Related	105,306	-	105,306
Total Deferred Outflows of Resources	<u>105,306</u>	<u>-</u>	<u>105,306</u>
Liabilities			
Current Liabilities (Payable From Current Assets):			
Accounts Payable	46,404	-	46,404
Other Accrued Payables	28,776	-	28,776
Construction Payable	143,281	-	143,281
Due To Other Funds	65,448	-	65,448
Total Current Liabilities (Payable From Current Assets)	<u>283,909</u>	<u>-</u>	<u>283,909</u>
Current Liabilities (Payable From Restricted Assets):			
Customer Deposits	139,511	-	139,511
Revenue Bonds Payable	113,283	-	113,283
Capital Lease Payable	15,178	-	15,178
Due To Other Funds	-	6,112	6,112
Total Current Liabilities (Payable From Restricted Assets)	<u>267,972</u>	<u>6,112</u>	<u>274,084</u>
Long Term Liabilities:			
Bonds Payable	2,633,713	-	2,633,713
Capital Lease Payable	21,000	-	21,000
Other Post Employment Benefit Obligation	10,241	-	10,241
Net Pension Liability	297,025	-	297,025
Accrued Sick Leave Convertible to Retirement	85,985	-	85,985
Total Long Term Liabilities	<u>3,047,964</u>	<u>-</u>	<u>3,047,964</u>
Total Liabilities	<u>3,599,845</u>	<u>6,112</u>	<u>3,605,957</u>
Deferred Inflows of Resources			
Pension Related	6,530	-	6,530
Total Deferred Inflows of Resources	<u>6,530</u>	<u>-</u>	<u>6,530</u>
Net Position			
Net Investment in Capital Assets	2,369,972	-	2,369,972
Restricted for:			
Capital Projects and Debt Service	-	-	-
Housing Activities	-	527	527
Unrestricted	(81,465)	5,696	(75,769)
Total Net Position	<u>\$ 2,288,507</u>	<u>\$ 6,223</u>	<u>\$ 2,294,730</u>

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

Town of Kentwood
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended December 31, 2017

	Gas Utility System	Water Utility System	Sewer Utility System	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Operating Revenues						
Gas Sales	\$ 459,029	\$ -	\$ -	\$ 459,029	\$ -	\$ 459,029
Less Cost of Gas Sold	(172,027)	-	-	(172,027)	-	(172,027)
Gross Profit on Gas Sales	287,002	-	-	287,002	-	287,002
Water Sales	-	634,091	-	634,091	-	634,091
Sewer Service Charges	-	-	355,865	355,865	-	355,865
Intergovernmental - Pension Paid by Others	5,610	1,064	1,313	7,987	-	7,987
HUD Contributions	-	-	-	-	359,018	359,018
Other	12,461	25,740	9,889	48,090	1,050	49,140
Total Operating Revenues	<u>305,073</u>	<u>660,895</u>	<u>367,067</u>	<u>1,333,035</u>	<u>360,068</u>	<u>1,693,103</u>
Operating Expenses						
Bad Debts	-	-	-	-	-	-
Cathodic Protection	6,046	-	-	6,046	-	6,046
Depreciation	10,431	70,003	92,140	172,574	-	172,574
Employee Benefits	96,990	26,666	24,455	148,111	15,899	164,010
Housing and Utility Assistance	-	-	-	-	321,384	321,384
Insurance - Workers Compensation	4,205	2,277	1,920	8,402	174	8,576
Other	14,794	17,811	2,853	35,458	5,514	40,972
Professional Fees	2,596	20,138	15,000	37,734	-	37,734
Repairs and Maintenance	7,937	12,231	19,655	39,823	-	39,823
Salaries and Wages	173,819	35,461	32,161	241,441	37,390	278,831
Supplies	11,143	36,075	6,432	53,650	-	53,650
Utilities	-	53,587	20,348	73,935	-	73,935
Water Treatment	-	59,037	-	59,037	-	59,037
Total Operating Expenses	<u>327,961</u>	<u>333,286</u>	<u>214,964</u>	<u>876,211</u>	<u>380,361</u>	<u>1,256,572</u>
Operating Income (Loss)	<u>(22,888)</u>	<u>327,609</u>	<u>152,103</u>	<u>456,824</u>	<u>(20,293)</u>	<u>436,531</u>
Nonoperating Revenues (Expenses)						
Interest Income	1,392	8,376	760	10,528	144	10,672
Interest Expense	-	(1,398)	-	(1,398)	-	(1,398)
Total Nonoperating Revenues (Expenses)	<u>1,392</u>	<u>6,978</u>	<u>760</u>	<u>9,130</u>	<u>144</u>	<u>9,274</u>
Income (Loss) Before Contributions and Transfers	(21,496)	334,587	152,863	465,954	(20,149)	445,805
Contributions and Transfers						
Capital Contributions	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	18,312	18,312
Operating Transfers Out	-	-	-	-	-	-
Change in Net Position	(21,496)	334,587	152,863	465,954	(1,837)	464,117
Total Net Position, Beginning				1,822,553	8,060	1,830,613
Total Net Position, Ending				<u>\$ 2,288,507</u>	<u>\$ 6,223</u>	<u>\$ 2,294,730</u>

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

Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2017

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities			
Received From Customers	\$ 1,399,533	\$ -	\$ 1,399,533
Received From the Department of Housing and Urban Development	-	359,018	359,018
Received for Meter Deposit Fees	4,470	-	4,470
Other Receipts	56,273	1,050	57,323
Received for Interfund Services	(5,781)	-	(5,781)
Received for (Payments for) Interfund Services	(537,369)	244	(537,125)
Payments for Operations	(493,163)	(357,091)	(850,254)
Payments to Employees	(368,189)	(53,289)	(421,478)
Net Cash Provided (Used) by Operating Activities	<u>55,774</u>	<u>(50,068)</u>	<u>5,706</u>
Cash Flows From Noncapital Financing Activities			
Transfers From (To) Other Funds	-	18,312	18,312
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>18,312</u>	<u>18,312</u>
Cash Flows From Capital and Related Financing Activities			
(Payments for) Capital Acquisitions	(613,376)	-	(613,376)
Principal Proceeds from (Repayments for) Long Term Debt	(123,352)	-	(123,352)
Interest Payments for Long Term Debt	(1,398)	-	(1,398)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(738,126)</u>	<u>-</u>	<u>(738,126)</u>
Cash Flows From Investing Activities			
Receipt of Interest	10,528	144	10,672
Net Cash Provided (Used) by Investing Activities	<u>10,528</u>	<u>144</u>	<u>10,672</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(671,824)	(31,612)	(703,436)
Cash and Cash Equivalents, Beginning of Year	<u>1,202,158</u>	<u>43,947</u>	<u>1,246,105</u>
Cash and Cash Equivalents, End of Year	<u>\$ 530,334</u>	<u>\$ 12,335</u>	<u>\$ 542,669</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Cash Equivalents, Unrestricted	\$ 115,772	\$ -	\$ 115,772
Cash and Cash Equivalents, Restricted	414,562	12,335	426,897
Total Cash and Cash Equivalents	<u>\$ 530,334</u>	<u>\$ 12,335</u>	<u>\$ 542,669</u>

(Continued)

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

Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2017

Statement I

	Utility Fund	Housing Assistance Fund		Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 456,824	\$ (20,293)	\$	436,531
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	172,574	-		172,574
(Increase) decrease in Accounts Receivable	(49,452)	-		(49,452)
(Increase) decrease in Unbilled Receivable	196	-		196
(Increase) decrease in Deferred Outflows of Resources	928	-		928
(Increase) decrease in Due (to) and from Other Funds	(543,150)	244		(542,906)
Increase (decrease) in Accounts Payable	(13,248)	-		(13,248)
Increase (Decrease) in Compensated Absences	(4,761)	-		(4,761)
Increase (decrease) in Accrued Expenses	31,169	(30,019)		1,150
Increase (decrease) in Deferred Inflows of Resources	224	-		224
Increase (decrease) in Customer Deposits	4,470	-		4,470
Net Cash Provided (Used) by Operating Activities	\$ 55,774	\$ (50,068)	\$	5,706

(Concluded)

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

Basic Financial Statements

Notes to the Financial Statements

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Introduction

The Town of Kentwood, Louisiana was incorporated in March of 1893 under the provisions of the Lawrason Act. The Town operates under a Mayor/Board of Aldermen form of government, with the Mayor and each of five aldermen elected at large for four-year terms. The Mayor and Aldermen are compensated per diem for each meeting attended; in addition, the Mayor receives a salary. Kentwood is located directly off Interstate I-55 in the northern section of Tangipahoa Parish. The Town's total population is 2,198 as reported by the U.S. Census Bureau, Census 2010. The Town provides police and fire protection, services to maintain and develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. The Town provides water, gas, and sewer utility services to 1,002 water customers, 433 gas customers, and 852 sewer customers inside and outside of the Town limits. The Town employs 32 full-time employees in addition to the Mayor and Board of Aldermen.

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

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Resources as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position and Fund Equity*. As required by the Governmental Accounting Standards Board (GASB), the Town implemented GASB Statement No. 63 during the year ending December 31, 2012. The Town had deferred outflows of resources related to pension of \$494,051 and deferred inflows related to pension of \$115,538 at December 31, 2017.

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

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

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

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

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

The Town reports the following governmental funds:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, other than debt service or capital projects. For the year ending December 31, 2017, the Town reported the following special revenue funds, all reported as Major Funds: (1) Kentwood Fire Department – accounts for intergovernmental revenue sources restricted by Rural Fire Protection District #2. (2) LHFA Fund – accounts for federal program grant and federal program income restricted by the grantor to program approved expenditures. (3) Recreation Ad Valorem Fund – accounts for ad valorem millage dedicated for use for recreation operations and improvements.

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

The *Capital Projects Funds* account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets. For the year ending December 31, 2017, the Town had one capital project fund for the recreation park project.

The Town reports the following major proprietary funds:

The *Enterprise Funds* account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For the year ending December 31, 2017, the Town's Enterprise Funds were the Utility Fund and the Housing Assistance Fund, both Major Funds.

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

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

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

C. Deposits and Investments

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

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

D. Receivables and Payables

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

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

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

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

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

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

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

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

E. Inventories and Prepaid Items

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

F. Restricted Assets

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

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the current fiscal year, the Town incurred \$117,468 in construction period interest costs.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

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

H. Compensated Absences

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

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

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

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

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

I. Long-Term Obligations

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

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of*

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Resources, and Net Position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65. The Town had bond issuance costs of \$34,539 related to the Series 2017 Revenue Bond for recreation in the year ending December 31, 2017.

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

J. Net Position and Fund Equity

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

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

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

K. Comparative Data/Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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

L. Extraordinary and Special Items

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

M. Estimates

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

N. Reconciliations of Government-Wide and Fund Financial Statements

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

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

Total revenues and other sources and total expenditures and other uses for the Town of Kentwood were within five percent of budgeted revenues and other sources and expenditures and other uses for the fiscal year ending December 31, 2017 for the General Fund and Special Revenue Funds, except for the Recreation Ad Valorem Fund. In the Recreation Ad Valorem Fund, revenues and other sources were less than five percent of the budgeted revenues and other sources. During the budget process, the bond proceeds were included in the fund; however, after further research these proceeds should have been included in a capital project fund. The bond proceeds were recorded in a capital project fund at fiscal year-end which created this variance.

3. Cash and Cash Equivalents

At December 31, 2017, the Town has cash and cash equivalents (book balances) as follows:

	December 31, 2017
Cash on Hand	\$ 798
Demand Deposits	1,628,404
Louisiana Asset Management Pool	424,829
Total Cash and Cash Equivalents	\$ 2,054,031

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

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

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the municipality has \$1,732,122 in deposits (collected bank balances), consisting of \$585,695 in demand deposits within two banks and \$1,146,427 in trust accounts at one bank. The demand deposits in the first bank consist of \$303,448 in demand deposits for the Town of Kentwood and \$7,196 in demand deposits for the Kentwood Volunteer Fire Department. The demand deposits of \$303,448 are secured from risk by federal deposit insurance of \$250,000 and pledged securities of \$53,448. The \$53,448 is exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$7,196 in demand deposits is secured from risk by federal deposit insurance of \$250,000. The demand deposits in the second bank consist of \$275,051 in demand deposits. These are secured from risk by \$250,000 of federal deposit insurance and \$25,051 of open letters of credit. The \$25,051 of open letters of credit are exposed to custodial credit risk because while the amount is secured by pledged securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$1,146,427 in trust accounts are secured from risk by the Trust Department of the respective bank and consisted of U.S. Treasury Obligations.

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

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

4. Investments

Investments are categorized into these three categories of credit risk:

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

In accordance with GASB Codification Section I50.165, the investment in the Louisiana Asset Management Pool (LAMP) at December 31, 2017, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprised of the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest.

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

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

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

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

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement. However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments, as provided by LAMP, is 43 days as of December 31, 2017.
5. Foreign currency risk: Not applicable to 2a7-like pools.

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

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

There were no investments held by the Town at December 31, 2017. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices. *Interest Rate Risk*: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

5. Receivables

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

There are no differences between the external governmental fund financial statements receivables and the government wide financial statements at December 31, 2017. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at December 31, 2017 consist of the following:

Government Receivables	General Fund	Volunteer Fire Department	Recreation Ad Valorem Special Revenue Fund	Total Governmental Funds
Taxes:				
Ad Valorem	\$ 68,944	\$ -	\$ 49,726	\$ 118,670
Public Utility Franchise	10,949	-	-	10,949
Gaming	4,621	-	-	4,621
Intergovernmental:				
Tangipahoa Parish School Board, Sales Tax	105,987	-	-	105,987
Tangipahoa Parish School Board, School Officer	5,826	-	-	5,826
State of Louisiana, Beer Tax	1,184	-	-	1,184
State of Louisiana, LGAP Grant	7,750	-	-	7,750
Tangipahoa Parish Council	-	174,389	-	174,389
Tangipahoa Parish Council-Cash	-	1,116,136	-	1,116,136
Other Receivables	566	-	-	566
Total Government Receivables	\$ 205,827	\$ 1,290,525	\$ 49,726	\$ 1,546,078

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

The Enterprise Fund accounts receivable at December 31, 2017 consists of the following:

		Year Ended December 31, 2017
Accounts Receivable		<u> </u>
Current	\$	184,842
31 - 60 Days		20,625
61 - 90 Days		4,874
Over 90 Days		<u>4,453</u>
Subtotal		214,794
Less Allowance for Bad Debt		<u>11,232</u>
Accounts Receivables, Net		203,562
Accrued Billings		20,655
NSF Checks Receivable		1,924
Credit Card Receivable		<u>628</u>
Total Accounts Receivable	\$	<u><u>226,769</u></u>

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements on December 31, 2017:

Interfund Balances	<u>Due From</u>	<u>Due To</u>
	<u>Other Funds</u>	<u>Other Funds</u>
General Fund		
Volunteer Fire Department	\$ 53,068	\$ 414
Louisiana Housing Finance Authority (LHFA)	261	-
Recreation Ad Valorem	-	63,851
Recreation Debt Service Fund	20,172	-
Utility Fund	65,448	-
Housing Assistance Fund	6,112	-
Special Revenue Fund		
Volunteer Fire Department		
General Fund	414	53,068
Louisiana Housing Finance Authority (LHFA)		
General Fund	-	261
Utility Fund	-	5,781
Recreation Ad Valorem		
General Fund	63,851	-
Debt Service Fund		
General Fund	-	20,172
Proprietary Funds		
Utility Fund		
General Fund	-	65,448
Louisiana Housing Finance Authority (LHFA)	5,781	
Housing Assistance Fund		
General Fund	-	6,112
Total Interfund Balances	\$ <u>215,107</u>	\$ <u>215,107</u>

The reason for the interfund receivables/payables balances is the General Fund pays payroll expenses and accounts payable for other funds. The interfund balances are repaid generally on a monthly basis.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

7. Restricted Assets

Total restricted assets for the Town of Kentwood at December 31, 2017 were as follows:

	December 31, 2017
Restricted Cash and Cash Equivalents	
Customer Deposits	\$ 139,511
Water Construction Account	275,051
Housing Assistance Account	12,335
LHFA Grant Account	75,389
Industrial Development	239,755
Park Project Construction	1,058,858
Bond Sinking Account	20,260
Bond Reserve Account	87,481
Total Restricted Assets	\$ 1,908,640

8. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2017 for governmental activities is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities Capital Assets:				
Capital Assets Not Being Depreciated:				
Land	\$ 619,126	\$ -	\$ -	\$ 619,126
Construction in Progress	-	36,134	-	36,134
Total Capital Assets Not Being Depreciated	619,126	36,134	-	655,260
Capital Assets Being Depreciated:				
Buildings and Improvements	1,989,450	29,435	-	2,018,885
Vehicles and Equipment	1,239,500	8,501	(7,900)	1,240,101
Infrastructure	48,623	-	-	48,623
Total Capital Assets Being Depreciated	3,277,573	37,936	(7,900)	3,307,609
Less Accumulated Depreciation for:				
Buildings and Improvements	949,347	51,750	-	1,001,097
Vehicles and Equipment	808,586	84,873	(7,900)	885,559
Infrastructure	23,896	2,229	-	26,125
Total Accumulated Depreciation	1,781,829	138,852	(7,900)	1,912,781
Total Capital Assets Being Depreciated, Net	1,495,744	(100,916)	-	1,394,828
Total Governmental Activities Capital Assets, Net	\$ 2,114,870	\$ (64,782)	\$ -	\$ 2,050,088

Depreciation was charged to governmental functions as follows:

General Government	\$ 26,699
Public Safety - Police Protection	42,630
Public Safety - Fire Protection	13,747
Public Works - Streets and Sanitation	24,351
Recreation	23,242
Economic Development	8,183
	\$ 138,852

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

During 2017, capital expenditures in the Volunteer Fire Department Fund of \$11,169 were incurred and the assets subsequently transferred to the Tangipahoa Parish Fire Protection District Number 2. These assets are not capitalized in the governmental activity assets listed above.

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

A mower for the recreation department was purchased for \$2,500. The museum had roof improvements completed in the amount of \$29,435. Office furniture was purchased at a cost of \$3,857. New street department equipment was purchased for \$2,144.

The Town also began Phase 1A of the park project during the fiscal year-end. Costs of \$36,134 were incurred during the fiscal year. See *Footnote 23. Other Commitments* on page 73 for additional detail on the park project.

The Town sold a 2002 Ford Crown Victoria for \$1,500 during the fiscal year. The original cost of the equipment was \$7,900, which was fully depreciated.

Included in vehicles and equipment are four Dodge Chargers, a dump truck, and a Freightliner fire truck acquired in a prior fiscal period financed under capital leases in the gross amount of \$389,454 with related accumulated depreciation of \$139,791.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Capital assets and depreciation activity as of and for the year ended December 31, 2017 for business-type activities is as follows:

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 21,100	\$ -	\$ -	\$ 21,100
Construction in Progress	2,106,957	574,536	-	2,681,493
Total Capital Assets Not Being Depreciated	<u>2,128,057</u>	<u>574,536</u>	<u>-</u>	<u>2,702,593</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	248,052	-	-	248,052
Gas Utility System	806,868	-	-	806,868
Water Utility System	2,568,389	-	-	2,568,389
Sewer Utility System	4,641,996	-	-	4,641,996
Total Capital Assets Being Depreciated	<u>8,311,944</u>	<u>-</u>	<u>-</u>	<u>8,311,944</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	172,522	11,046	-	183,568
Gas Utility System	702,005	6,749	-	708,754
Water Utility System	1,568,600	66,321	-	1,634,921
Sewer Utility System	3,330,821	88,458	-	3,419,279
Total Accumulated Depreciation	<u>5,820,587</u>	<u>172,574</u>	<u>-</u>	<u>5,993,161</u>
Total Capital Assets Being Depreciated, Net	<u>2,491,357</u>	<u>(172,574)</u>	<u>-</u>	<u>2,318,783</u>
Total Business - Type Activities Capital Assets, Net	<u>\$ 4,619,414</u>	<u>\$ 401,962</u>	<u>\$ -</u>	<u>\$ 5,021,376</u>

In the business-type activities, the Town signed an agreement in 2013 with Owen and White for a new water well and water tank rehabilitation. Costs of \$574,536 were incurred during the fiscal year. This included \$117,468 of accrued construction interest. See *Footnote 23. Other Commitments* on page 73 for additional detail on the water project.

Included in vehicles and equipment is a Caterpillar backhoe acquired in a prior fiscal period financed under capital leases in the gross amount of \$74,424 with related accumulated depreciation of \$16,825.

9. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on December 31, 2017:

Interfund Transfers	Transfers In	Transfers Out
General Fund		
Housing Assistance Fund	\$ -	\$ 18,312
Proprietary Funds		
Housing Assistance Fund		
General Fund	18,312	-
Total Interfund Transfers	<u>\$ 18,312</u>	<u>\$ 18,312</u>

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

10. Accounts, Salaries, and Other Payables

The Governmental Fund payables at December 31, 2017 are as follows:

Governmental Funds Payable	General Fund	Volunteer Fire Department	LHFA Special Revenue Fund	Recreation Capital Project Fund	Total Governmental Funds
Accounts	\$ 44,578	\$ 753	\$ -	\$ -	\$ 45,331
Accrued Salaries	34,845	7,360	-	-	42,205
Payroll Taxes	11,286	-	-	-	11,286
Compensated Absences	32,660	3,860	-	-	36,520
Construction Payable	-	-	-	9,659	9,659
Other	1,009	-	1,300	-	2,309
Due to Other Governments	1,026	-	-	-	1,026
Retirement	15,554	-	-	-	15,554
Total Government Funds Payable	\$ 140,958	\$ 11,973	\$ 1,300	\$ 9,659	\$ 163,890

The Enterprise Fund payables at December 31, 2017 are as follows:

Enterprise Funds Payable	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Accounts	\$ 46,404	\$ -	\$ 46,404
Due to Other Governments			
State-Unclaimed Property	4,871	-	4,871
Construction Payable	121,056	-	121,056
Retainage Payable	22,225	-	22,225
Salaries Payable	9,478	-	9,478
Vacation Payable	14,427	-	14,427
Total Enterprise Funds Payable	\$ 218,461	\$ -	\$ 218,461

11. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2017, other than the current portion of revenue bonds payable and the current portion of the capital leases.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

12. Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. At December 31, 2017, the Town had the following capital leases.

	Capital Lease Payable End of Year	Due Within One Year
<p>The Town entered into a lease purchase agreement to purchase four 2014 Dodge Chargers, a dump truck, and a Caterpillar backhoe for a total lease amount \$275,643. The lease is payable in sixty monthly payments of \$4,970.38 due on the first day of each month. The Dodge Chargers and the dump truck are being depreciated over their estimated useful lives of five years. This portion of the lease is recorded within the governmental funds as a capital lease in the General Fund. The backhoe is being depreciated over its estimated useful life of ten years. This portion of the lease is recorded within the Enterprise funds as a capital lease in the Utility Fund.</p>	\$ 133,989	\$ 56,216
<p>The Town entered into a lease purchase agreement to purchase a 2015 Freightliner fire truck for a lease amount of \$188,235.12. The lease is payable in twelve annual payments of \$19,913.14 due on the first day of August. The fire truck is being depreciated over its estimated useful life of fifteen years. This lease is recorded within the governmental funds as a capital lease in the General Fund.</p>	162,266	13,574
	\$ 296,255	\$ 69,790

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

	Governmental Activities		Business-Type Activities		Total Long-Term Obligations
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds	
Beginning Balance	\$ 312,902	\$ -	\$ 50,884	\$ 2,855,642	\$ 3,219,428
Additions	-	1,200,000	-	-	1,200,000
Deletions	(52,825)	-	(14,706)	(108,646)	(176,177)
Ending Balance	260,077	1,200,000	36,178	2,746,996	4,243,251
Plus Unamortized Premium	-	7,935	-	-	7,935
Total Ending Balance	\$ 260,077	\$ 1,207,935	\$ 36,178	\$ 2,746,996	\$ 4,251,186

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

	Governmental Activities		Business-Type Activities		Total Long-Term Obligations
	Capital Leases	Revenue Bonds	Capital Leases	Revenue Bonds	
Current Portion	\$ 54,612	\$ 25,000	\$ 15,178	\$ 113,283	\$ 208,073
Long-Term Portion	205,465	1,175,000	21,000	2,633,713	4,035,178
	260,077	1,200,000	36,178	2,746,996	4,243,251
Plus Unamortized Premium	-	7,935	-	-	7,935
	\$ 260,077	\$ 1,207,935	\$ 36,178	\$ 2,746,996	\$ 4,251,186

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Bonds Payable as of December 31, 2017 are as follows:

	Bonds Payable End of Year	Due Within One Year
Business Type Fund: \$ 3,051,608 Utilities Revenue Certificates of Indebtedness, Series 2014		
Dated 10/29/2014 due in monthly installments of principal and interest of		
\$ 18,843 through 12/15/1934 interest at 4.186%	\$ 2,746,996	\$ 113,283
This issue is secured by the income and revenues derived from the operation of the Town's Utility System.		
 Governmental Fund: \$ 1,200,000 Revenue Bonds, Series 2017		
Dated 9/7/2017 due in annual installments of principal ranging from \$25,000 in 2018 to \$80,000 in 2037 and 39 semiannual installments of interest averaging \$11,915 at rates of interest ranging from 1.65% to 4.00%. This issue is secured by the income and revenues derived from the recreation ad valorem millage.		
	1,200,000	25,000
	\$ 3,946,996	\$ 138,283

The annual requirements to amortize all debt outstanding at December 31, 2017, including interest payments of \$1,595,770 are as follows:

Year Ending 12/31/17	Utilities Revenue Certificates of Indebtedness, Series 2014 \$ 3,051,608	Revenue Bonds, Series 2017 \$ 1,200,000	Capital Lease - Police Cars, Dump Truck, Backhoe \$ 275,643	Capital Lease - Fire Truck \$ 188,235	Total
2018	\$ 226,115	\$ 61,192	\$ 59,645	\$ 19,913	\$ 366,865
2019	226,115	86,190	59,645	19,913	391,863
2020	226,115	85,365	19,882	19,913	351,275
2021	226,115	84,428	-	19,913	330,456
2022	226,115	83,378	-	19,913	329,406
2023 to 2027	1,130,575	422,676	-	99,566	1,652,817
2028 to 2032	1,130,575	422,645	-	-	1,553,220
2033 to 2034	452,230	418,825	-	-	871,055
	\$ 3,843,955	\$ 1,664,698	\$ 139,172	\$ 199,131	\$ 5,846,956

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

The governing authority of the Town adopted a resolution on June 18, 1991, authorizing issuance of \$910,000 of Sewer Revenue Bonds. On June 1, 1992, the Town sold the \$910,000 authorized bonds to USDA Rural Development (RUS). The bonds were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted and are subject to the provisions of the above resolution adopted June 18, 1991. As of December 31, 1993, USDA Rural Development had advanced all of the bond proceeds to the Town. Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the system. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness. The Town paid this bond in full on October 29, 2014 by funds received from the issuance of Utilities Revenue Certificates of Indebtedness, Series 2014.

The governing authority of the Town adopted an ordinance on October 23, 2014, authorizing issuance of \$3,051,608 of Utilities Revenue Certificates of Indebtedness, Series 2014. On October 29, 2014, the

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

Payments on the Series 2014 bond began January 2015. The gross utility revenues recognized during the current year were \$1,333,035.

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

The Issuer of the Utilities Revenue Certificates of Indebtedness, Series 2014 covenants to fix, establish, maintain, and collect such rates, fees, rents, or other charges for the services and facilities of the Utilities System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operation and maintaining the Utilities System, in each year, the principal and interest falling due on the Certificate in each year, all reserves or sinking funds or other payments required for such year by this Ordinance, and all obligations or indebtedness payable out of the Net Utilities Revenues during such year, and which will provide Net Utilities Revenues in each year, at least equal to 125% of the largest amount of principal and interest falling due on the Certificates and any Additional Parity Bonds in any future year. For the fiscal year ending December 31, 2017, the Town maintained a ratio of "Net Revenues" to debt principal and interest obligations that exceeded the required ratio of 125%.

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

The governing authority of the Town adopted an ordinance on May 4, 2017, authorizing issuance of \$1,200,000 of Series 2017 Revenue Bonds. On September 7, 2017, the Town sold the \$1,200,000 authorized bonds to Whitney Bank. The bonds were issued for twenty (20) years payable with interest at the rate ranging from 1.65% to 4.00% per annum. The proceeds of the bonds are restricted and are subject to the provisions of the above ordinance adopted May 4, 2017. Proceeds were issued to finance the costs of the acquisition, construction, and equipping of recreational facilities of the Town, to fund a debt service reserve fund, and to finance the costs of issuance of the Bonds. Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the recreational ad valorem taxes of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the recreation department. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness.

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The issuance resulted in the following Sources and Uses Statement:

Sources of Funds	
Note Proceeds	\$ 1,200,000
Premium	8,069
Total Sources	\$ 1,208,069
Use of Funds	
Construction Fund	\$ 1,088,454
Cost of Issuance	32,185
Reserve Fund	87,430
Total Uses	\$ 1,208,069

The Series 2017 Revenue Bonds requires the Town to transfer monthly amounts to pay a portion of the next maturing principal and next due interest into the Sinking Fund. At December 31, 2017 the Sinking Fund was fully-funded at \$20,260.

Series 2017 Revenue Bonds also established a Reserve Fund. This fund was initially funded with proceeds of the bonds. At December 31, 2017 the Reserve Fund was fully-funded at \$87,481.

Payments on the Series 2017 bond will begin March 2018. The gross recreation ad valorem revenues recognized during the current year were \$113,577.

15. Retirement Systems

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

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

A. Municipal Employee Retirement System of Louisiana (System)

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

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

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

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Retirement Benefits:

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

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

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

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

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

1. Seven years or more of service, at age sixty-seven or thereafter.
2. Ten years or more of service, at age sixty-two, or thereafter.
3. Thirty years or more of service, at age fifty-five or thereafter.
4. Twenty-five years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted.

Survivor Benefits:

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

1. Surviving spouse who is not eligible for social security survivorship or retirement benefits, married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

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

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

DROP Benefits:

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

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

Disability Benefits:

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

Cost of Living Increases:

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

Deferred Benefits:

Both Plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement; benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

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

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Funding Policy. Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate. The current rate is 11 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans) of the taxes shown to be collectible by the tax rolls of each parish. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employees' Retirement System and the Employees' Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2017. During the year ending December 31, 2017, the Town recognized revenue as a result of support received from non-employer contributing entities of \$20,478 for its participation in MERS-Plan B.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2017 and 2016 were \$71,707, and \$61,823, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2017, the Town reported a liability of \$711,658 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2017, the Town's proportion was 0.822505%, which was an increase of 0.039221% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense for the MERS System of \$145,810 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the MERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,728	\$ (15,450)
Changes of Assumptions	31,335	-
Net difference between projected and actual earnings on pension plan investments	149,943	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	29,539	(139)
Employer contributions subsequent to the measurement date	38,637	-
Total	<u>\$ 253,182</u>	<u>\$ (15,589)</u>

The Town reported a total of \$38,637 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

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

<u>Year</u>	
2018	\$ 82,445
2019	\$ 70,965
2020	\$ 38,802
2021	\$ 6,744
	<u>\$ 198,956</u>

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

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

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

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

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

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rates	6.40%	7.40%	8.40%
Town of Kentwood Share of NPL	\$ 920,806	\$ 711,658	\$ 533,180

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

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

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Retirement Benefits:

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

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

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

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

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

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

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

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

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whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

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

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

Deferred Retirement Option Plan:

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

Initial Benefit Option Plan:

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

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

Funding Policy. According to state statute, the Town of Kentwood is required to contribute at an actuarially determined rate but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer

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and employee contribution rates for members whose earnable compensation is less than or equal to poverty guidelines issued by the U.S. Department of Health and Human Services were 34.25% and 7.5%, respectively.

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. This additional source of income is used as additional employer contributions and considered support from non-employer contributing entities, but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2017. During the year ending December 31, 2017, the Town recognized revenue as a result of support received from non-employer contributing entities of \$6,773 for its participation in MPERS.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2017 and 2016 were \$40,564 and \$28,611, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2017, the Town reported a liability of \$309,764 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2017, the Town's proportion was 0.035481%, which was an increase of 0.013757% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense for the MPERS System of \$86,396 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the MPERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,028	\$ (2,381)
Changes of Assumptions	22,041	-
Net difference between projected and actual earnings on pension plan investments	13,560	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	92,103	(32,604)
Employer contributions subsequent to the measurement date	20,105	-
 Total	 <u>\$ 149,837</u>	 <u>\$ (34,985)</u>

The Town reported a total of \$20,105 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

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

<u>Year</u>	
2018	\$ 13,095
2019	\$ 50,449
2020	\$ 38,475
2021	\$ (7,272)
	<u>\$ 94,747</u>

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.70%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53%	3.66%
Fixed Income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected Arithmetic Nominal Rate		8.19%

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.325%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.325%	7.325%	8.325%
Town of Kentwood Share of NPL	\$ 427,969	\$ 309,764	\$ 210,599

C. Firefighters Retirement System of Louisiana (System)

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

Retirement Benefits:

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

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Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3 1/3% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

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

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

Disability Benefits:

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

Death Benefits:

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

Deferred Retirement Option Plan:

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

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

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

Initial Benefit Option:

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

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

Funding Policy. Plan members are required by state statute to contribute ten percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The employer

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contribution rates were 25.25 percent and 27.25 percent of annual covered salary for the plan years ending in 2017 and 2016. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

According to state statute ERS receives insurance premium tax funds from the State of Louisiana. This additional source of income is used as an additional employer contribution and is reported as a non-employer contribution but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2017. During the year ending December 31, 2017, the Town recognized revenue as a result of support received from non-employer contributing entities of \$6,817 for its participation in FRS.

The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2017 and 2016 were \$17,164 and \$13,700, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2017, the Town reported a liability of \$154,376 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2017, the Town's proportion was 0.026933%, which was an increase of 0.011652% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense for the FRS System of \$8,630 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the FRS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (8,609)
Changes of Assumptions	6,457	(37)
Net difference between projected and actual earnings on pension plan investments	13,281	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	61,988	(56,318)
Employer contributions subsequent to the measurement date	9,306	-
Total	\$ 91,032	\$ (64,964)

The Town reported a total of \$9,306 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

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

<u>Year</u>	
2018	\$ (2,735)
2019	\$ (75)
2020	\$ (5,966)
2021	\$ 5,799
2022	\$ 10,772
2023	\$ 8,967
	<u>\$ 16,762</u>

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.4%
Expected Remaining Service Lives	7 years
Inflation Rate	2.775%
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% with 25 or more years of service; includes inflation and merit increases
Cost of Living Adjustments	For the purposes of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

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

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2.75%. The resulting long-term expected arithmetic nominal rates of return was 8.29% as of June 30, 2017.

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

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

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers will be made at the actuarially determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.40%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Rates	6.40%	7.40%	8.40%
Town of Kentwood Share of NPL	\$ 221,832	\$ 154,376	\$ 97,669

16. Other Post-Employment Benefits

The Town of Kentwood is required to report under GASB 45: Accounting for Other Post Employment Benefit (OPEB) Obligations. This standard requires governmental entities to record the present value of the unfunded employer costs associated with non-retirement-based expected payments to current and former employees for post-employment benefits such as health insurance. The Town utilized a specialist to estimate the present value of the full costs of all promised health benefits to all current and former employees and eligible spouses included in the current benefit population utilizing such factors as the age, retirement age, expected increases in health costs, expected employer contributions, historical health claims by employee population, and other factors. The Town has not yet implemented a protected trust to

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fund a plan to pay for these expected costs. The impact on the financials for governmental funds is at the government wide level, where the excess projected costs in excess of the amount funded by the Town in the year is accrued as a liability called the net OPEB obligation. The net OPEB obligation will increase rapidly over time if the obligation is not funded. The annual OPEB cost can be significantly higher for some entities than its current health premiums expense depending on the demographics of the employee population.

The rationale behind the implementation of GASB 45 relates to the fact that the former and current employees to the balance sheet date have provided services to the entity and have created a cost in the current period that will need to be paid in future periods based on the current employer-employee agreement. The unfunded portion of these costs will require future cash flows, which need to be considered in combination with other expected future cash outflows such as bond payments in order to avoid budget deficits in those fiscal periods.

Plan Description. The Town of Kentwood participates in a group defined health insurance benefit retirement plan administered by Town of Kentwood Ordinance No. 6 of 2008, which is administered by the Town. The Plan provides health insurance for regular employees that retire with at least 30 years of full time service. The Town pays the same percentage of the retirees' and the retirees' spouse's health insurance premiums as is paid for a full time employee of the Town. The retiree health insurance benefit is paid for seven years or until the retiree or the retiree's spouse reaches the eligible age to receive Medicare benefits, whichever occurs first. Upon the death of a retiree, the spouse benefit terminates six months after the retiree's death. The Town plans to repeal this benefit in 2018.

The Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective the fiscal year beginning January 1, 2011. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2011, the Town recognizes the cost of postemployment benefits in the year when employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Because the Town adopted the Plan during the year ended December 31, 2011, there was no accrued liability associated with the prior year. However, since employees received credit for prior service upon implementation of the plan; the actuarially accrued liability associated with prior services calculated as required by GASB Statement No. 45 and will be phased in over thirty years, commencing with the 2011 liability.

Contribution Rates. The Town will pay the same percentage of the premium of the retirees' group health insurance coverage as is paid for a full time employee of the Town. Current policy is that the Town pays 100% of the health insurance premiums for the retiree. If a spouse is covered the Town pays 70% of the difference in premium from the single premium.

Fund Policy. The plan is financed on a pay-as-you-go basis; therefore no funds are reserved for payment of future health insurance premiums.

Annual Required Contribution. The Town of Kentwood's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, under the alternative measurement method permitted for employers with plans with fewer than one hundred members. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 01, 2017 is shown in the following table.

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	Medical
Normal Cost	\$ 7,467
30-year UAL (Unfunded Liability) Amortization Amount	4,539
Interest on Normal Cost and Amortization Payment	480
Annual required contributions (ARC)	\$ 12,486

Net Post-employment Benefit Obligation (Asset). The Town's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2017:

	Medical
Beginning Net OPEB Obligation (Asset) 12/31/16	\$ 52,922
Annual required contribution (ARC)	12,486
Interest on Net OPEB Obligation (Asset)	2,140
ARC Adjustment	(2,064)
OPEB Cost	12,562
Contribution	-
Current year retiree premium	(1,194)
Change in Net OPEB Obligation	11,368
Ending Net OPEB Obligation (Asset) 12/31/17	\$ 64,290

The following table shows Town of Kentwood's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability (asset) for 2017, 2016, and 2015:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	12/31/2017	\$ 12,562	9.50%	\$ 64,290
Medical	12/31/2016	\$ 12,562	104.51%	\$ 53,488
Medical	12/31/2015	\$ 23,163	51.27%	\$ 53,488

Funded Status and Funding Progress. As of January 1, 2017, the year of the most recent actuarial valuation, the funded status and funding progress was as follows:

	Medical
Actuarial Accrued Liability (AAL)	\$ 118,775
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	118,775
Funded Ratio (Act. Val. Assets / AAL)	0%

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Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by Town of Kentwood and its employee plan members) at the time of the valuation and on the pattern of sharing costs between Town of Kentwood and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between Town of Kentwood and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. Since the OPEB obligation has not yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate. Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Post-employment Benefit Plan Eligibility Requirements. Active members are assumed to retire at the greater of 62 years of age at attainment of eligibility for the retirement benefit.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the historical and expected returns of the Town's short-term investment portfolio and revenue growth, a discount rate of 4 percent was used. In addition, a simplified version of the unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over thirty years.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 3.8 percent initially, increased to an ultimate rate of 4.7 percent after ten years was used.

Inflation Rate. The expected long-term inflation assumption of 3 percent was used.

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Payroll Growth Rate. The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Marital Status. Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality Rate. Life expectancies were based on 2012 United States Life Tables.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100 percent of the cost of the medical insurance for the retirees. The current fiscal year health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

17. Restricted Fund Balances/Net Position

At December 31, 2017, the General Fund had \$22,184 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end. The General Fund also had \$239,755 at fiscal year-end recorded as restricted fund balance. The Town of Kentwood sold its interest in the building on April 13, 2000, restricting proceeds of the sale per terms of the original bond issue.

At December 31, 2017, the Volunteer Fire Department had \$24,545 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use in fire protection.

At December 31, 2017, the LHFA special revenue fund had \$1,975 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use for economic development.

At December 31, 2017, the Recreation Ad Valorem special revenue fund had \$113,577 in fund balance restricted for specific use for operations and improvements for recreation.

At December 31, 2017, the Recreation Debt Service Fund had \$87,569 in fund balance restricted for specific use for bond restrictions related to the Series 2017 Revenue Bonds.

At December 31, 2017, the Recreation Capital Project Fund had \$1,049,199 in fund balance restricted for specific use for construction of the recreation park project which was funded by the Series 2017 Revenue Bonds.

At December 31, 2017, the Housing Assistance Fund, consisting of the United States Department of Housing and Urban Development (HUD) Housing Choice Voucher Program recorded net position of \$527, restricted for housing activities.

18. Risk Management

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

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19. Contingent Liabilities

At December 31, 2017, the Town was not involved in any outstanding litigation or claims.

20. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended December 31, 2017, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen and firefighters. In accordance with GASB 24, the Town recorded \$86,879 of on behalf payments as revenue and as expenditure in the General Fund.

21. LHFA Grant Revenue and Commitment

During the year ended December 31, 2010 the town was awarded \$369,539 in Community Development Block Grant funds, passed through the Louisiana Housing Finance Agency (LHFA) - Neighborhood Stabilization Program. The funds were awarded for the purchase, demolish and rebuild of two residential properties and for the purchase and rehabilitation of a third property. During 2010, the town expended \$244,901 of the grant funds with the remaining amounts to be expended in 2011. As part of the program award, the Town of Kentwood signed two promissory notes on October 6, 2010 in the amounts of \$123,180 and \$246,359 on the one rehabilitation property and the two rebuilt, respectively. The terms of the promissory notes included a fifteen year pay down scenario commencing twelve months after the issuance of a certificate of occupancy on the property. The terms of the pay down include a 1/15th annual reduction in the note amount at zero interest for each year that the property is leased to persons meeting the guidelines established in the notes as well as in the grant agreement. The notes become due and payable upon (i) the sale of the properties prior to fifteen years; or (ii) the failure of the Town to lease the property as outlined in the agreement. In 2010, the Town recorded \$244,901 as grant revenue in the governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA). In 2011, the Town recorded \$125,063 as grant revenue in the governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA). The two houses for which funding was received were completed with total construction costs for the two houses totaling \$304,315.

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

22. Intergovernmental Agreement

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

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- Prior approval from the Fire Administrator of Tangipahoa Fire Protection District No. 2 (the District) must be obtained for all expenditures through a purchasing system which has been adopted by the Board of Commissioners of the District.
- All additions or other changes to personnel shall be ratified in accordance with the annual budget adopted by the Board of Commissioners of the District for each fiscal year. Any purchases of real property or equipment and/or expansion or repairs to existing facilities, with a cost in excess of \$10,000, shall be approved by the District, prior to such funds being expended.
- All equipment, having a purchase price of in excess of \$999, shall be tagged with an inventory tag. Additionally, any and all District equipment shall be property tagged and marked. Under no circumstances shall the inventory tags be removed in any manner. All vehicles purchased with District funds shall have the appropriate and distinctive District logo applied. An inventory list, as of December 31st of each previous year, shall be provided to the District no later than January 31st of the following year. The information to be provided shall include the following: sufficient item description, location of each item, tag number, date acquired and purchase price.
- The District agrees to appropriate, for the use of the undersigned Fire Departments, all monies it receives for fire protection purposes, excluding \$260,000 for the year ending December 31, 2017, which shall be deducted from the District's individual account in the month of January 2017, set aside in a separate District administrative account to be used by the District for specified purposes, including payroll, accounting fees, insurance, utilities, office supplies, postage, legal publications, telephone, and other operating items.
- All insurance which is deemed necessary by the District including, but not limited to workman's compensation, general liability, and liability on and physical damage to vehicles, shall be purchased and maintained by the District, with funds deducted from the allocations to the Fire Departments made pursuant to this contract. All insurance policies must be in the name of Tangipahoa Parish Rural Fire District No. 2 as the owner on all vehicles, equipment, and property policies.
- The District shall administer funds and maintain the accounting records of all Fire Departments contracted with it (District).
- Each department contracted with the District shall administer their own payroll, with each Fire Department maintaining its own payroll checking account. Each individual Fire Department shall be reimbursed for its payroll expenses from its respective funds. All payroll documents shall be provided to the District, including bank reconciliations, payroll registers, time cards, etc. Payroll expenses will not be reimbursed for any position that has not been ratified by the Board of Commissioners of the District.
- Each Fire Department may elect to either receive its two (2%) per cent fire insurance rebate or have these funds deposited by the Tangipahoa Parish Rural Fire District No. 2 into the respective accounts of each Fire Department, which accounts will be maintained by the Tangipahoa Parish Rural Fire District No. 2. An annual report of these funds shall be provided to the District, if the Fire Departments elect to receive its rebate funds. Each individual Fire Department shall be financially responsible for its own annual report. The annual report shall contain detailed accounting of these funds with invoices and copies of checks.
- Any and all funds distributed to the various Fire Departments are at a set percentage agreed to under the terms of this contract. The allocation for the Kentwood Volunteer Fire Department for the fiscal year ending December 31, 2017, was 10.5%. In the event of emergency situations or unexpected events and conditions that may occur during the course of this agreement, this formula allocation may be adjusted by the Board of Commissioners with the consent of each individual Fire Department affected.
- The District shall provide each Fire Department with a monthly accounting of cash.
- Additional responsibilities and duties of the Tangipahoa Fire Protection District No. 2 and the various fire departments are as specified and detailed within this contract.
- As an attachment to this contract, an agreement between the Tangipahoa Fire Protection District No. 2 and the Town of Kentwood further details the services to be provided by the Town of Kentwood in support of the Kentwood Volunteer Fire Department, and the services for which the Town of

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Kentwood may be reimbursed. As part of this attachment to the contract, it is specified that the parties herein and hereby agree that, for the fiscal year ending December 31, 2017, that the total reimbursement due the Town of Kentwood for salaries shall not exceed three-hundred fifty thousand dollars (\$350,000).

23. Other Commitments

In September 2013, the Town entered into a professional services contract with Owen & White, Inc. for water system improvements including new water well and painting of two elevated water storage tanks. The services under this agreement are to make application for funding of project through government capital, perform study and report, design, bid, and construction phase services as required. Bids were awarded as follows: Greenbriar Digging-\$911,000 for Ave D Well Site and Griner Drilling-\$332,000 for Ave D Well Site, for a total construction phase costs of \$1,243,000 for the Ave D Well Site. After change orders this total cost is now \$1,276,700. I-55 Tank Refurbishment total projected cost is \$456,755. The High School Tank Refurbishment total projected cost is \$218,570. As of December 31, 2017, the Town has incurred \$2,681,493 in costs for this construction project. There is approximately \$22,225 remaining in contracts pertaining to construction, not including any amounts to Owen & White.

In 2017, the Town entered into a professional services contract with Newell Engineering, LLC for the park project construction in the amount of \$117,075. As of December 31, 2017, the Town has incurred \$36,134 in costs for this construction project. There is approximately \$80,941 remaining in contracts pertaining to engineering costs.

In a special board meeting on June 5, 2018, the Town accepted the low and only bid from Magee Builders, LLC of \$954,116 for Phase 1A of the park project. Completion of this phase is planned before the end of 2018. Per the engineer, the total projected cost of all phases of the park project is approximately \$1,567,401. Construction of Phase 1B is budgeted at \$282,810. Construction of Phase 2 is budgeted at \$213,400. The total estimated funds available for all phases of the park project are \$1,800,000. This includes the funds from the bond issuance, after bond closing costs, of \$1,100,000, 2018 Louisiana Water Conservation Fund Grant of \$250,000, State Capital Outlay Grant of \$200,000, and 2019 Louisiana Water Conservation Fund Grant of \$250,000.

24. Condensed Utility Financial Information

The Town of Kentwood has bonds inside its enterprise fund inside its utility department with separate revenue streams funding the repayment of those bonds. The schedule of net position for the utility funds has been combined across departments due to the combined accounts for billing receivables and accruing liabilities. This common accounting prevents practical segregation and it is not feasible to extract statement of net asset information in a departmental only presentation. However, capital assets by department can be seen in note 8.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Condensed Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type, Utility Fund
For the year ended December 31, 2017

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 459,029	\$ -	\$ -	\$ 459,029
Less Cost of Gas Sold	(172,027)	-	-	(172,027)
Gross Profit on Gas Sales	<u>287,002</u>	<u>-</u>	<u>-</u>	<u>287,002</u>
Water Sales	-	634,091	-	634,091
Sewer Service Charges	-	-	355,865	355,865
Intergovernmental - Pension Paid by Others	5,610	1,064	1,313	7,987
Other	12,461	25,740	9,889	48,090
Total Operating Revenues	<u>305,073</u>	<u>660,895</u>	<u>367,067</u>	<u>1,333,035</u>
Operating Expenses				
Employee Expenses	270,809	62,127	56,616	389,552
Depreciation	10,431	70,003	92,140	172,574
Other Operating Expenses	46,721	201,156	66,208	314,085
Total Operating Expenses	<u>327,961</u>	<u>333,286</u>	<u>214,964</u>	<u>876,211</u>
Operating Income (Loss)	(22,888)	327,609	152,103	456,824
Total Nonoperating Revenues (Expenses)	<u>1,392</u>	<u>6,978</u>	<u>760</u>	<u>9,130</u>
Income (Loss) Before Transfers	(21,496)	334,587	152,863	465,954
Contributions and Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(21,496)</u>	<u>334,587</u>	<u>152,863</u>	<u>465,954</u>
Total Net Position, Beginning				<u>1,822,553</u>
Total Net Position, Ending				<u>\$ 2,288,507</u>

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

25. Subsequent Events

Subsequent events have been evaluated by management through June 28, 2018, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date. No events other than described below were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017.

In a special board meeting on June 5, 2018, the Town accepted the low and only bid from Magee Builders, LLC of \$954,116 for Phase 1A of the park project. Completion of this phase is planned before the end of 2018.

Required Supplemental Information (Part II)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Summary
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,213,900	\$ 1,064,200	\$ 1,061,299	\$ (2,901)
Licenses and Permits	158,400	148,200	153,106	4,906
Intergovernmental	71,300	39,350	39,181	(169)
Charges for Services	11,200	44,600	35,829	(8,771)
Fines and Forfeitures	16,500	17,600	16,859	(741)
Sanitation Fees	86,200	99,900	99,777	(123)
Interest	2,000	4,100	4,059	(41)
On Behalf Payments - Supplemental Pay	65,000	87,900	86,879	(1,021)
Donations	250	330	297	(33)
Miscellaneous	19,500	15,200	17,289	2,089
Total Revenues	<u>1,644,250</u>	<u>1,521,380</u>	<u>1,514,575</u>	<u>(6,805)</u>
Expenditures				
General Government	875,250	878,250	808,512	69,738
Public Safety:				
Police	702,900	691,600	658,337	33,263
Fire	185,300	178,910	161,220	17,690
Public Works - Streets and Sanitation	591,050	543,300	532,332	10,968
Sanitation	-	-	-	-
Health and Welfare	6,600	13,200	13,188	12
Recreation	10,100	3,200	2,328	872
Capital Outlays	77,500	23,000	35,436	(12,436)
Debt Service				
Principal	52,900	52,900	52,825	75
Interest	10,650	10,650	10,629	21
Total Expenditures	<u>2,512,250</u>	<u>2,395,010</u>	<u>2,274,807</u>	<u>120,203</u>
Excess Revenues (Expenditures)	<u>(868,000)</u>	<u>(873,630)</u>	<u>(760,232)</u>	<u>113,398</u>
Other Financing Sources (Uses)				
Operating Transfers In	800,000	-	-	-
Operating Transfers (Out)	(19,500)	(14,700)	(18,312)	(3,612)
Sale of Fixed Assets	-	1,700	1,500	(200)
Total Other Financing Sources (Uses)	<u>780,500</u>	<u>(13,000)</u>	<u>(16,812)</u>	<u>(3,812)</u>
Net Change in Fund Balances	<u>(87,500)</u>	<u>(886,630)</u>	<u>(777,044)</u>	<u>109,586</u>
Fund Balances, Beginning	<u>1,229,909</u>	<u>1,229,909</u>	<u>1,229,909</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,142,409</u>	<u>\$ 343,279</u>	<u>\$ 452,865</u>	<u>\$ 109,586</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2017

Revenues	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Taxes				
Ad Valorem	\$ 284,200	\$ 197,100	\$ 157,854	\$ (39,246)
Sales Taxes	870,000	812,000	850,303	38,303
Franchise Taxes	49,200	45,700	44,623	(1,077)
Alcoholic Beverage Taxes	6,000	5,600	5,244	(356)
Gaming	-	-	-	-
Chain Store Taxes	4,500	3,800	3,275	(525)
Total Taxes	<u>1,213,900</u>	<u>1,064,200</u>	<u>1,061,299</u>	<u>(2,901)</u>
Licenses and Permits				
Business Privilege and Insurance License	148,000	139,500	139,933	433
Building Permits	1,000	1,000	6,273	5,273
Electric Permits	4,500	3,650	3,850	200
Liquor Licenses	4,900	4,050	3,050	(1,000)
Total Licenses and Permits	<u>158,400</u>	<u>148,200</u>	<u>153,106</u>	<u>4,906</u>
Intergovernmental				
Federal Grants				
FEMA	27,800	21,000	20,826	(174)
State Grants				
Other State Grants	-	-	-	-
LGAP Grants	32,500	7,750	7,750	-
Other				
Fire District Reimbursement	11,000	10,600	10,605	5
Total Intergovernmental	<u>71,300</u>	<u>39,350</u>	<u>39,181</u>	<u>(169)</u>
Miscellaneous Revenues				
Charges for Services	11,200	44,600	35,829	(8,771)
Fines and Forfeitures	16,500	17,600	16,859	(741)
Sanitation Fees	86,200	99,900	99,777	(123)
Interest	2,000	4,100	4,059	(41)
On Behalf Payments - Supplemental Pay	65,000	87,900	86,879	(1,021)
Donations	250	330	297	(33)
Miscellaneous	19,500	15,200	17,289	2,089
Total Miscellaneous Revenues	<u>200,650</u>	<u>269,630</u>	<u>260,989</u>	<u>(8,641)</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2017

Expenditures	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Salaries				
Mayor and Aldermen	71,000	70,000	69,491	509
Clerical	166,500	162,500	163,914	(1,414)
Janitorial	10,600	10,000	9,864	136
Museum	16,700	11,100	10,745	355
Attorney	5,200	5,200	5,200	-
Benefits				
Health Insurance	121,500	100,000	122,203	(22,203)
Retirement	30,200	36,300	36,150	150
Payroll Taxes	69,700	69,000	69,134	(134)
General and Administrative	7,000	9,000	5,435	3,565
Insurance	132,900	119,800	121,176	(1,376)
Other Operating				
Aldermen Travel	6,000	3,900	3,841	59
Assessor Taxroll	8,000	4,000	1,934	2,066
Computer Expense	10,000	10,000	9,103	897
Coroner's Fees	5,000	3,900	3,595	305
Council on Aging	2,400	2,400	2,400	-
Dues and Subscription	2,100	1,400	846	554
Mayor's Expense	7,000	6,000	5,986	14
Meeting and Travel Expense	8,500	6,500	7,116	(616)
Miscellaneous	22,100	46,700	29,617	17,083
Museum	2,000	500	488	12
Promotion	2,800	100	64	36
Uniforms	3,000	500	-	500
Zoning	750	-	-	-
Professional Fees	56,000	85,000	51,392	33,608
Rent - Community Center	5,300	5,200	5,200	-
Repairs and Maintenance				
City Hall	3,000	2,200	1,980	220
Civic Center	3,000	1,200	866	334
Community Center	1,000	600	379	221
Council on Aging	3,000	1,200	958	242
Health Unit	1,000	500	-	500
Martin Luther King Park	2,500	700	140	560
Museum	6,000	30,700	1,231	29,469
Supplies	16,000	23,000	14,967	8,033
Utilities				
City Hall	23,500	20,000	26,443	(6,443)
Civic Center	11,000	6,200	5,777	423
Commodity Center	7,000	4,500	4,287	213
Council on Aging	9,000	6,000	5,329	671
Health Unit	6,500	4,400	4,015	385
Martin Luther King Park	1,500	900	777	123
Museum	9,000	7,150	6,469	681
Total General Government	875,250	878,250	808,512	69,738

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Public Safety:				
Police				
Salaries	440,000	436,000	436,558	(558)
Benefits - Retirement	126,900	141,300	125,243	16,057
Fuel	45,000	40,000	36,122	3,878
General and Administrative	13,000	7,200	6,949	251
Insurance - Workers Compensation	25,000	25,600	21,451	4,149
Other operating				
Court Attendance	5,000	-	-	-
Housing Prisoners	3,000	1,000	444	556
Miscellaneous	3,000	6,300	5,812	488
Office Expense	4,000	2,000	1,544	456
Schools and Seminars	4,000	3,200	2,977	223
Special Fund	1,000	-	-	-
Uniforms	4,000	7,000	5,980	1,020
Repairs and Maintenance	10,000	10,000	6,894	3,106
Supplies	10,000	7,000	3,714	3,286
Telephone	9,000	5,000	4,649	351
Total Police	<u>702,900</u>	<u>691,600</u>	<u>658,337</u>	<u>33,263</u>
Fire				
Salaries	126,900	133,500	133,154	346
Benefits - Retirement	15,800	15,510	15,759	(249)
Fuel	1,800	500	482	18
General and Administrative	1,200	1,200	-	1,200
Insurance - Workers Compensation	12,100	13,500	2,776	10,724
Other operating	9,000	4,000	3,434	566
Repairs and Maintenance - Fire Truck	12,000	6,000	2,980	3,020
Telephone	6,500	4,700	2,635	2,065
Total Fire	<u>185,300</u>	<u>178,910</u>	<u>161,220</u>	<u>17,690</u>
Total Public Safety	<u>888,200</u>	<u>870,510</u>	<u>819,557</u>	<u>50,953</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
General Fund - Detail
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Public Works - Streets and Sanitation				
Salaries	101,800	105,000	107,316	(2,316)
Benefits	23,650	26,400	26,293	107
Fuel	15,000	8,500	7,934	566
Garbage Collection	245,000	252,000	256,656	(4,656)
Insurance - Workers Compensation	9,300	10,700	12,416	(1,716)
Other operating	8,000	5,200	2,074	3,126
Repairs and Maintenance				
Cemetery	24,000	24,000	24,000	-
Equipment	47,800	15,000	10,402	4,598
Maintenance Contract	12,000	-	-	-
Tree	2,500	1,500	1,500	-
Supplies	20,000	20,000	14,255	5,745
Utilities - Street Lights	82,000	75,000	69,486	5,514
Total Public Works - Streets and Sanitation	591,050	543,300	532,332	10,968
Health and Welfare				
Other operating	6,600	13,200	13,188	12
Total Health and Welfare	6,600	13,200	13,188	12
Recreation				
Salaries	2,800	-	-	-
Other operating	5,000	2,000	1,368	632
Utilities	2,300	1,200	960	240
Total Recreation	10,100	3,200	2,328	872
Capital Outlays				
General Government	30,000	23,000	33,292	(10,292)
Public Safety - Police Protection	15,000	-	-	-
Public Safety - Fire Protection	12,500	-	-	-
Public Works - Streets and Sanitation	20,000	-	2,144	(2,144)
Total Capital Outlays	77,500	23,000	35,436	(12,436)
Debt Service				
Principal	52,900	52,900	52,825	75
Interest	10,650	10,650	10,629	21
Total Debt Service	63,550	63,550	63,454	96
Excess Revenues (Expenditures)	(868,000)	(873,630)	(760,232)	113,398
Other Financing Sources (Uses)				
Operating Transfers In	800,000	-	-	-
Operating Transfers (Out)	(19,500)	(14,700)	(18,312)	(3,612)
Sale of Fixed Assets	-	1,700	1,500	(200)
Total Other Financing Sources (Uses)	780,500	(13,000)	(16,812)	(3,812)
Net Change in Fund Balances	(87,500)	(886,630)	(777,044)	109,586
Fund Balances, Beginning	1,229,909	1,229,909	1,229,909	-
Fund Balances, Ending	\$ 1,142,409	\$ 343,279	\$ 452,865	\$ 109,586

(Concluded)

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund - Kentwood Volunteer Fire Department
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Revenues				
Ad Valorem Taxes	\$ 550,000	\$ 544,000	\$ 502,324	\$ (41,676)
Intergovernmental				
Ad Valorem Taxes-Village of Tangipahoa	8,000	8,200	8,200	-
Fire Insurance Rebate - Tangipahoa	35,000	37,100	37,085	(15)
Fire Insurance Rebate - St. Helena	4,000	4,360	4,362	2
State Grant - LA Forestry	4,000	4,800	4,818	18
State Revenue Sharing	-	-	50,770	50,770
Interest	10,000	10,800	13,030	2,230
Miscellaneous	6,000	2,000	10,267	8,267
Total Revenues	617,000	611,260	630,856	19,596
Expenditures				
Public Safety:				
Fire				
Salaries				
Administrative	9,000	5,000	4,691	309
Fire Chief	15,000	7,800	7,800	-
Firefighters	150,000	145,000	139,457	5,543
Maintenance	6,000	4,200	4,139	61
Benefits	38,500	46,050	46,147	(97)
Payroll Taxes	12,000	11,800	11,650	150
Fuel	25,000	12,000	10,576	1,424
Insurance	50,000	50,200	50,292	(92)
Other operating				
Dues and Subscriptions	500	250	2,405	(2,155)
Office	2,500	2,500	2,013	487
Miscellaneous	3,000	4,200	3,531	669
Public Education	7,000	3,600	-	3,600
Training and Tuition	7,000	6,200	2,419	3,781
Volunteer Firemen Expense	30,000	20,200	19,773	427
Professional Fees	12,000	8,500	4,636	3,864
Rent	-	-	40	(40)
Repairs and Maintenance	38,000	44,000	40,899	3,101
Supplies	42,000	31,300	31,951	(651)
Telephone	6,000	-	6,206	(6,206)
Utilities	19,000	21,000	13,320	7,680
Total Public Safety - Fire	472,500	423,800	401,945	21,855
Capital Outlays - Fire Protection	300,000	13,500	11,169	2,331
Total Expenditures	772,500	437,300	413,114	24,186
Excess Revenues (Expenditures)	(155,500)	173,960	217,742	43,782
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Other Nonoperating Revenue	-	-	1,925	1,925
Total Other Financing Sources (Uses)	-	-	1,925	1,925
Net Change in Fund Balances	(155,500)	173,960	219,667	45,707
Fund Balances, Beginning	1,037,875	1,037,875	1,037,875	-
Fund Balances, Ending	\$ 882,375	\$ 1,211,835	\$ 1,257,542	\$ 45,707

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund 2 - LHFA Fund
For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable
Revenues				
Rental Income	\$ 15,600	\$ 15,600	\$ 15,362	\$ (238)
Interest	100	380	403	23
Total Revenues	<u>15,700</u>	<u>15,980</u>	<u>15,765</u>	<u>(215)</u>
Expenditures				
General and Administrative	150	150	63	87
Insurance	4,100	4,000	4,007	(7)
Repairs and Maintenance	2,800	1,000	261	739
Total Expenditures	<u>7,050</u>	<u>5,150</u>	<u>4,331</u>	<u>819</u>
Excess Revenues (Expenditures)	<u>8,650</u>	<u>10,830</u>	<u>11,434</u>	<u>604</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>8,650</u>	<u>10,830</u>	<u>11,434</u>	<u>604</u>
Fund Balances, Beginning	<u>57,823</u>	<u>58,569</u>	<u>58,569</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 66,473</u>	<u>\$ 69,399</u>	<u>\$ 70,003</u>	<u>\$ 604</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) to Actual
Special Revenue Fund 3 - Recreation Ad Valorem
For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u>
Revenues				
Ad Valorem Taxes	\$ -	\$ 117,500	\$ 113,577	\$ (3,923)
Federal Grant	-	-	-	-
State Grant	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>117,500</u>	<u>113,577</u>	<u>(3,923)</u>
Expenditures				
Recreation	-	-	-	-
Capital Outlays	-	27,500	-	27,500
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Excess Revenues (Expenditures)	<u>-</u>	<u>90,000</u>	<u>113,577</u>	<u>23,577</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Bond Proceeds	-	1,200,000	-	(1,200,000)
Bond Issuance Cost	-	(32,185)	-	32,185
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,167,815</u>	<u>-</u>	<u>(1,167,815)</u>
Net Change in Fund Balances	<u>-</u>	<u>1,257,815</u>	<u>113,577</u>	<u>(1,144,238)</u>
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 1,257,815</u>	<u>\$ 113,577</u>	<u>\$ (1,144,238)</u>

See independent auditor's report.

Town of Kentwood
Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information
December 31, 2017

	(1)	(2)	(2-1)	(1/2)	(3)	((2-1)/(3))
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2016	-	\$118,775	\$ 118,775	0%	\$ 938,770	12.7%
1/1/2013	-	\$255,290	\$ 255,290	0%	\$ 836,301	30.5%
12/31/2011	-	\$164,221	\$ 164,221	0%	\$ 977,946	16.8%

GASB 45 requires the presentation of the above information for the most recent actuarial valuation and the two preceding valuations. The Town adopted GASB Statement No. 45 in the year ending December 31, 2011, and as such the 12/31/11 valuation was the Town's first actuarial valuation. For the years ending December 31, 2012, December 31, 2014, December 31, 2015, and December 31, 2017, the Town was not required to and did not have the actuarial valuation done.

See independent auditor's report.

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

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

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

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

See independent auditor's report.

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

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

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

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

See independent auditor's report.

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

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

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

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - MERS Plan B
For the year ended December 31, 2017

Municipal Employees' Retirement System

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

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - MPERS
For the year ended December 31, 2017

Municipal Police Employees' Retirement System

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

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

See independent auditor's report.

Town of Kentwood
Schedule of the Town's Contributions - FRS
For the year ended December 31, 2017

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

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

See independent auditor's report.

Other Supplemental Information

Town of Kentwood
Schedule of Net Position
Proprietary Fund Type - Utility Fund
As of December 31, 2017
(with 2016 summarized comparative information)

	Utility Fund	
	2017	2016
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 115,772	\$ 302,835
Receivables, Net	226,769	177,329
Due From Other Funds	5,781	-
Due From State	192	376
Inventory	4,129	4,129
Prepaid Insurance	995	995
Total Current Assets	<u>353,638</u>	<u>485,664</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	414,562	899,323
Total Restricted Assets	<u>414,562</u>	<u>899,323</u>
Property, Plant, and Equipment		
Land	21,100	21,100
Construction in Progress	2,681,493	2,106,957
Property, Plant and Equipment, Net	2,318,783	2,491,357
Total Property, Plant, and Equipment	<u>5,021,376</u>	<u>4,619,414</u>
Total Assets	<u>5,789,576</u>	<u>6,004,401</u>
Deferred Outflows of Resources		
Pension Related	105,306	106,234
Total Deferred Outflows of Resources	<u>105,306</u>	<u>106,234</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	46,404	59,652
Other Accrued Payables	28,776	35,307
Construction Payables	143,281	182,121
Due To Other Funds	65,448	602,817
Total Current Liabilities (Payable From Current Assets)	<u>283,909</u>	<u>879,897</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	139,511	135,041
Revenue Bonds Payable	113,283	108,647
Capital Lease Payable	15,178	14,706
Total Current Liabilities (Payable From Restricted Assets)	<u>267,972</u>	<u>258,394</u>
Long Term Liabilities:		
Bonds Payable	2,633,713	2,746,995
Capital Lease Payable	21,000	36,178
Other Post Employment Benefit Obligation	10,241	7,830
Net Pension Liability	297,025	272,694
Accrued Sick Leave Convertible to Retirement	85,985	79,788
Total Long Term Liabilities	<u>3,047,964</u>	<u>3,143,485</u>
Total Liabilities	<u>3,599,845</u>	<u>4,281,776</u>
Deferred Inflows of Resources		
Pension Related	6,530	6,306
Total Deferred Inflows of Resources	<u>6,530</u>	<u>6,306</u>
Net Position		
Net Investment in Capital Assets	2,369,972	2,195,527
Restricted for:		
Capital Projects and Debt Service	-	281,643
Unrestricted	(81,465)	(654,617)
Total Net Position	<u>\$ 2,288,507</u>	<u>\$ 1,822,553</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses, and Changes in Net Position
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	Utility Fund	
	2017	2016
Operating Revenues		
Gas Sales	\$ 459,029	\$ 423,131
Less Cost of Gas Sold	(172,027)	(122,107)
Gross Profit on Gas Sales	287,002	301,024
Water Sales	634,091	623,718
Sewer Service Charges	355,865	303,475
Intergovernmental State Grants	7,987	8,101
Other	48,090	33,872
Total Operating Revenues	<u>1,333,035</u>	<u>1,270,190</u>
Operating Expenses		
Bad Debts	-	-
Cathodic Protection	6,046	2,159
Depreciation	172,574	178,206
Employee Benefits	148,111	133,705
Insurance - Workers Compensation	8,402	6,759
Other	35,458	33,050
Professional Fees	37,734	7,935
Repairs and Maintenance	39,823	58,341
Salaries and Wages	241,441	259,533
Supplies	53,650	39,495
Utilities	73,935	79,284
Water Treatment	59,037	90,663
Total Operating Expenses	<u>876,211</u>	<u>889,130</u>
Operating Income (Loss)	<u>456,824</u>	<u>381,060</u>
Nonoperating Revenues (Expenses)		
Gain (Loss) on Sale of Assets	-	200
Interest Income	10,528	21,149
Interest Expense	(1,398)	(1,855)
Total Nonoperating Revenues (Expenses)	<u>9,130</u>	<u>19,494</u>
Income (Loss) Before Transfers	465,954	400,554
Contributions and Transfers		
Operating Transfers In	-	-
Operating Transfers Out	-	(785,887)
Change in Net Position	<u>465,954</u>	<u>(385,333)</u>
Total Net Position, Beginning	<u>1,822,553</u>	<u>2,207,886</u>
Total Net Position, Ending	<u>\$ 2,288,507</u>	<u>\$ 1,822,553</u>

See independent auditor's report.

Town of Kentwood
Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	<u>Utility Fund</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 1,399,533	\$ 1,348,076
Received for Meter Deposit Fees	4,470	481
Other Receipts	56,273	40,865
Received for Interfund Services	(5,781)	-
Received (Payments) for Interfund Services	(537,369)	246,786
Payments for Operations	(493,163)	(440,536)
Payments to Employees	(368,189)	(372,605)
Net Cash Provided (Used) by Operating Activities	<u>55,774</u>	<u>823,067</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	-	(785,887)
Net Cash (Used) by Noncapital Financing Activities	<u>-</u>	<u>(785,887)</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	-	-
Proceeds from Sale of Capital Acquisitions	-	200
(Payments for) Capital Acquisitions	(613,376)	(1,758,518)
(Payments for) Bond Issuance Costs	-	-
Principal Proceeds from (Repayments for) Long Term Debt	(123,352)	(118,449)
Interest Payments for Long Term Debt	(1,398)	(1,855)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(738,126)</u>	<u>(1,878,622)</u>
Cash Flows From Investing Activities		
Receipt of Interest	10,528	21,149
Net Cash Provided by Investing Activities	<u>10,528</u>	<u>21,149</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(671,824)	(1,820,293)
Cash and Cash Equivalents, Beginning of Year	1,202,158	3,022,451
Cash and Cash Equivalents, End of Year	<u>\$ 530,334</u>	<u>\$ 1,202,158</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 115,772	\$ 302,835
Cash and Cash Equivalents, Restricted	414,562	899,323
Total Cash and Cash Equivalents	<u>\$ 530,334</u>	<u>\$ 1,202,158</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Schedule of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2017
(with 2016 summarized comparative information)

	Utility Fund	
	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 456,824	\$ 381,060
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation	172,574	178,206
(Increase) decrease in Accounts Receivable	(49,452)	(2,248)
(Increase) decrease in Other Receivable	196	(1,108)
(Increase) decrease in Inventory	-	-
(Increase) decrease in Prepaid Insurance	-	-
(Increase) decrease in Deferred Outflows of Resources	928	(32,720)
(Increase) decrease in Due (to) and from Other Funds	(543,150)	246,786
Increase (decrease) in Accounts Payable	(13,248)	(7,809)
Increase (decrease) in Compensated Absences	(4,761)	1,174
Increase (decrease) in Accrued Expenses	31,169	63,904
Increase (decrease) in Deferred Inflows of Resources	224	(4,659)
Increase (decrease) in Customer Deposits	4,470	481
Net Cash Provided (Used) by Operating Activities	<u>\$ 55,774</u>	<u>\$ 823,067</u>

(Concluded)

See independent auditor's report.

Town of Kentwood
Combining Schedule of Net Position, Proprietary Fund Type, Utility Fund
As of December 31, 2017

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 115,740	\$ -	\$ 32	\$ 115,772
Receivables, Net	226,769	-	-	226,769
Due From State		192		192
Due From Other Funds	5,781	-	-	5,781
Inventory	4,129	-	-	4,129
Prepaid Insurance	995	-	-	995
Total Current Assets	<u>353,414</u>	<u>192</u>	<u>32</u>	<u>353,638</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents	139,511	275,051	-	414,562
Total Restricted Assets	<u>139,511</u>	<u>275,051</u>	<u>-</u>	<u>414,562</u>
Property, Plant, and Equipment				
Land	21,100	-	-	21,100
Construction in Progress	-	2,681,493	-	2,681,493
Property, Plant and Equipment, Net	162,598	933,468	1,222,717	2,318,783
Total Property, Plant, and Equipment	<u>183,698</u>	<u>3,614,961</u>	<u>1,222,717</u>	<u>5,021,376</u>
Total Assets	<u>676,623</u>	<u>3,890,204</u>	<u>1,222,749</u>	<u>5,789,576</u>
Deferred Outflows of Resources				
Pension Related	73,714	13,690	17,902	105,306
Total Deferred Outflows of Resources	<u>73,714</u>	<u>13,690</u>	<u>17,902</u>	<u>105,306</u>
Liabilities				
Current Liabilities (Payable From Current Assets):				
Accounts Payable	46,404	-	-	46,404
Other Accrued Payables	28,776	143,281	-	172,057
Due To Other Funds	47,017	9,526	8,905	65,448
Total Current Liabilities (Payable From Current Assets)	<u>122,197</u>	<u>152,807</u>	<u>8,905</u>	<u>283,909</u>
Current Liabilities (Payable From Restricted Assets):				
Customer Deposits	55,430	84,081	-	139,511
Revenue Bonds Payable	-	113,283	-	113,283
Capital Lease Payable	-	15,178	-	15,178
Total Current Liabilities (Payable From Restricted Assets)	<u>55,430</u>	<u>212,542</u>	<u>-</u>	<u>267,972</u>
Long Term Liabilities:				
Bonds Payable	-	2,633,713	-	2,633,713
Capital Lease Payable	-	21,000	-	21,000
Other Post Employment Benefit Obligation	4,711	5,530	-	10,241
Net Pension Liability	207,918	38,613	50,494	297,025
Accrued Sick Leave Convertible to Retirement	85,985	-	-	85,985
Total Long Term Liabilities	<u>298,614</u>	<u>2,698,856</u>	<u>50,494</u>	<u>3,047,964</u>
Total Liabilities	<u>476,241</u>	<u>3,064,205</u>	<u>59,399</u>	<u>3,599,845</u>
Deferred Inflows of Resources				
Pension Related	4,571	849	1,110	6,530
Total Deferred Inflows of Resources	<u>4,571</u>	<u>849</u>	<u>1,110</u>	<u>6,530</u>
Net Position				
Net Investment in Capital Assets				2,369,972
Restricted for:				
Capital Projects and Debt Service				-
Unrestricted				(81,465)
Total Net Position				<u>\$ 2,288,507</u>

See independent auditor's report.

Town of Kentwood
Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type, Utility Fund
For the year ended December 31, 2017

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 459,029	\$ -	\$ -	\$ 459,029
Less Cost of Gas Sold	<u>(172,027)</u>	<u>-</u>	<u>-</u>	<u>(172,027)</u>
Gross Profit on Gas Sales	287,002	-	-	287,002
Water Sales	-	634,091	-	634,091
Sewer Service Charges	-	-	355,865	355,865
Intergovernmental - Pension Paid by Others	5,610	1,064	1,313	7,987
Other	<u>12,461</u>	<u>25,740</u>	<u>9,889</u>	<u>48,090</u>
Total Operating Revenues	<u>305,073</u>	<u>660,895</u>	<u>367,067</u>	<u>1,333,035</u>
Operating Expenses				
Bad Debts	-	-	-	-
Cathodic Protection	6,046	-	-	6,046
Depreciation	10,431	70,003	92,140	172,574
Employee Benefits	96,990	26,666	24,455	148,111
Insurance - Workers Compensation	4,205	2,277	1,920	8,402
Other	14,794	17,811	2,853	35,458
Professional Fees	2,596	20,138	15,000	37,734
Repairs and Maintenance	7,937	12,231	19,655	39,823
Salaries and Wages	173,819	35,461	32,161	241,441
Supplies	11,143	36,075	6,432	53,650
Utilities	-	53,587	20,348	73,935
Water Treatment	<u>-</u>	<u>59,037</u>	<u>-</u>	<u>59,037</u>
Total Operating Expenses	<u>327,961</u>	<u>333,286</u>	<u>214,964</u>	<u>876,211</u>
Operating Income (Loss)	<u>(22,888)</u>	<u>327,609</u>	<u>152,103</u>	<u>456,824</u>
Nonoperating Revenues (Expenses)				
Gain on Sale of Capital Assets	-	-	-	-
Interest Income	1,392	8,376	760	10,528
Interest Expense	<u>-</u>	<u>(1,398)</u>	<u>-</u>	<u>(1,398)</u>
Total Nonoperating Revenues (Expenses)	<u>1,392</u>	<u>6,978</u>	<u>760</u>	<u>9,130</u>
Income (Loss) Before Transfers	<u>(21,496)</u>	<u>334,587</u>	<u>152,863</u>	<u>465,954</u>
Contributions and Transfers				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(21,496)</u>	<u>334,587</u>	<u>152,863</u>	<u>465,954</u>
Total Net Position, Beginning				<u>1,822,553</u>
Total Net Position, Ending				<u>\$ 2,288,507</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 407,200	\$ 459,029	\$ 51,829
Less Cost of Gas Sold	(179,200)	(172,027)	7,173
Gross Profit on Gas Sales	<u>228,000</u>	<u>287,002</u>	<u>59,002</u>
Intergovernmental - Pension Paid by Others	-	5,610	5,610
Other			
Miscellaneous	2,975	2,572	(403)
Penalties	9,200	9,889	689
Total Operating Revenues	<u>240,175</u>	<u>305,073</u>	<u>64,898</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Cathodic Protection	6,200	6,046	154
Depreciation	10,300	10,431	(131)
Employee Benefits			
Health Insurance	40,000	40,976	(976)
Life Insurance	700	685	15
Payroll Taxes	13,450	13,407	43
Retirement	18,800	41,922	(23,122)
Insurance - Workers Compensation	4,400	4,205	195
Other			
Computer Expenses	100	-	100
DOT Drug Testing	900	887	13
Gas Leak Survey	3,000	2,755	245
Gas Operator Certification	-	-	-
Fuel	2,600	1,789	811
Meter Reading	6,800	6,613	187
Miscellaneous	1,420	2,750	(1,330)
Office Expense	-	-	-
Professional Fees	17,000	2,596	14,404
Repairs and Maintenance	16,200	7,937	8,263
Salaries and Wages	173,500	173,819	(319)
Supplies	16,000	11,143	4,857
Total Operating Expenses	<u>334,870</u>	<u>327,961</u>	<u>6,909</u>
Operating Income (Loss)	<u>(94,695)</u>	<u>(22,888)</u>	<u>71,807</u>
Nonoperating Revenues (Expenses)			
Interest Income	1,350	1,392	42
Gain on Sale of Assets	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,350</u>	<u>1,392</u>	<u>42</u>
Income (Loss) Before Transfers	<u>(93,345)</u>	<u>(21,496)</u>	<u>71,849</u>
Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Change in Net Position	<u>\$ (93,345)</u>	<u>\$ (21,496)</u>	<u>\$ 71,849</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
For the year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 627,500	\$ 634,091	\$ 6,591
Intergovernmental - Pension Paid by Others	-	1,064	1,064
Other			
Delinquent Charges	9,200	9,889	689
Miscellaneous	2,500	2,492	(8)
Safe Drinking Water Fee	13,400	13,359	(41)
Total Operating Revenues	<u>652,600</u>	<u>660,895</u>	<u>8,295</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Depreciation	73,600	70,003	3,597
Employee Benefits			
Health Insurance	15,000	14,439	561
Life Insurance	200	188	12
Payroll Taxes	2,800	2,713	87
Retirement	4,000	9,326	(5,326)
Insurance - Workers Compensation	2,200	2,277	(77)
Other			
Department of Environmental Quality Fees	2,500	2,006	494
Fuel	3,700	2,747	953
Office Expense	1,100	1,608	(508)
Safe Drinking Water Fee	11,500	11,450	50
Professional Fees	20,000	20,138	(138)
Repairs and Maintenance	28,000	12,231	15,769
Salaries and Wages	35,000	35,461	(461)
Supplies	36,000	36,075	(75)
Utilities - Pump Electricity	58,500	53,587	4,913
Water Treatment	75,000	59,037	15,963
Total Operating Expenses	<u>372,600</u>	<u>333,286</u>	<u>39,314</u>
Operating Income (Loss)	<u>280,000</u>	<u>327,609</u>	<u>47,609</u>
Nonoperating Revenues (Expenses)			
Interest Income	8,400	8,376	(24)
Interest Expense	(1,450)	(1,398)	52
Total Nonoperating Revenues (Expenses)	<u>6,950</u>	<u>6,978</u>	<u>28</u>
Income (Loss) Before Transfers	<u>286,950</u>	<u>334,587</u>	<u>47,637</u>
Contributions and Transfers			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Change in Net Position	<u>\$ 286,950</u>	<u>\$ 334,587</u>	<u>\$ 47,637</u>

See independent auditor's report.

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
For the year ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Sewer Charges	\$ 317,700	\$ 355,865	\$ 38,165
Intergovernmental - Pension Paid by Others	-	1,313	1,313
Other			
Miscellaneous	-	-	-
Penalties	9,200	9,889	689
Total Operating Revenues	<u>326,900</u>	<u>367,067</u>	<u>40,167</u>
Operating Expenses			
Bad Debts	3,500	-	3,500
Depreciation	94,400	92,140	2,260
Employee Benefits			
Health Insurance	13,100	13,222	(122)
Life Insurance	-	-	-
Payroll Taxes	2,900	2,549	351
Retirement	4,200	8,684	(4,484)
Insurance - Workers Compensation	1,850	1,920	(70)
Other			
Analysis Fee	1,400	2,780	(1,380)
Fuel	300	77	223
Office Expense	100	(4)	104
Professional Fees	15,000	15,000	-
Repairs and Maintenance	33,000	19,655	13,345
Salaries and Wages	32,600	32,161	439
Supplies	4,000	6,432	(2,432)
Utilities	23,000	20,348	2,652
Total Operating Expenses	<u>229,350</u>	<u>214,964</u>	<u>14,386</u>
Operating Income (Loss)	<u>97,550</u>	<u>152,103</u>	<u>54,553</u>
Nonoperating Revenues (Expenses)			
Interest Income	750	760	10
Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>750</u>	<u>760</u>	<u>10</u>
Income (Loss) Before Transfers	<u>98,300</u>	<u>152,863</u>	<u>54,563</u>
Transfers			
Operating Transfers In	-	-	-
Change in Net Position	<u>\$ 98,300</u>	<u>\$ 152,863</u>	<u>\$ 54,563</u>

See independent auditor's report.

Schedule 17

**Town of Kentwood
Schedule of Sewer Rates
Proprietary Fund Type
For the year ended December 31, 2017**

Sewer	
Residential Rates	Commercial Rates
\$ 45.00 - Flat Monthly Rate	\$ 65.00 Commercial Rate 1 - Flat Monthly Rate
	275.00 Commercial Rate 2 (Schools) - Flat Rate
	650.00 Commercial Rate 3 (Nursing Home) - Flat Rate
	45.00 Commercial Rate 4 (Churches) - Flat Rate
Water	
Residential Rates	Commercial Rates
\$ 47.00 - Flat Monthly Rate	\$ 47.00 Commercial Rate 2 - First 5,000 Gallons (Flat Fee)
	0.75 Per 1,000 Gallons for next 55,000 Gallons
	0.65 Per 1,000 Gallons for next 180,000 Gallons
	0.50 Per 1,000 Gallons for next 260,000 Gallons
	0.40 Per 1,000 Gallons after 500,000 Gallons
	162.00 Commercial Rate 2 (Schools) - Flat Rate
	47.00 Commercial Rate 4 (Churches) - Flat Rate
Gas	
Residential Rates	Commercial Rates
\$ 18.00 - First 5,000 Cubic Feet (Flat Fee)	\$ 18.00 - First 5,000 Cubic Feet (Flat Fee)
1.75 - Per 1,000 Cubic Feet after 5,000	1.75 - Per 1,000 Cubic Feet after 5,000
Industrial Rates	
\$ 5.97 - First 10,000 Cubic Feet (Flat Fee)	
0.597 - Per 1,000 Cubic Feet after 10,000	

See independent auditor's report.

Schedule 18

**Town of Kentwood
Schedule of Number of Sewer, Water and Gas Customers
Proprietary Fund Type
For the year ended December 31, 2017**

	Residential	Commercial	Total
Sewer	748	104	852
Water	855	147	1,002
Gas	371	62	433

See independent auditor's report.

Town of Kentwood
Schedule of Gas Sales and Purchases
Proprietary Fund Type - Gas Utility System
As of December 31, 2017 and 2016

	Enterprise Funds	
	2017	2016
Gas Sales and Purchases		
Gas Sales		
Volume mcf (Thousand Cubic Feet)	39,344	39,957
Dollar Amount	\$ 459,029	\$ 423,131
Cost of Gas Sold		
Volume mcf (Thousand Cubic Feet)	45,509	49,973
Dollar Amount	\$ 172,027	\$ 122,107
Gross Profit	\$ 287,002	\$ 301,024
Gross Profit Percentage of Sales	63%	71%
Unaccounted for Gas Purchases		
Volume mcf (Thousand Cubic Feet)	6,165	10,016
Average Cost of Unaccounted for Gas	\$ 23,304	\$ 24,474
Percentage of Purchases	14%	20%
Number of Customers at Year End		
In Service, Industrial	2	2
In Service, Other	431	436
Total	433	438
Average Sales Per Customer		
Volume mcf (Thousand Cubic Feet)	91	91
Dollar Amount	\$ 1,060	\$ 966
Average Sales Per Thousand Cubic Feet		
Gas Sales, Industrial	\$ 6.31	\$ 5.38
Gas Sales, Other	\$ 16.79	\$ 15.62
Gas Sales	\$ 11.67	\$ 10.59
Gas Purchases	\$ -3.78	\$ -2.44
Subtotal	\$ 7.89	\$ 8.15
Unaccounted for Gas Purchases	\$ -0.51	\$ -0.49
Gross Profit	\$ 7.38	\$ 7.66

See independent auditor's report.

Town of Kentwood
Schedule of Insurance
For the year ended December 31, 2017

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>	
Risk Management Agency 100-0518-16254	General Liability	\$ 500,000	3/20/2017 to	3/20/2018
	Commercial Automobile	500,000		
	Public Officials Professional Liability	500,000		
	Police Professional Liability	500,000		
Western Surety Company 18272062	Position Schedule	425,000	6/20/2017 to	6/20/2018
Risk Management Agency RK07998A17	Commercial Property Coverages, as scheduled	1,893,500	3/7/2017 to	3/7/2018
Great Lakes/Lane & Assoc GLP1600452	Inland Marine	74,777	12/1/2017 to	12/1/2018
Risk Management Agency 70-0392-14915	Workers Compensation at Statutory Limitations		11/19/2017 to	11/19/2018
Foremost Insurance Group 444-0019223612	Commercial Mobile Home Policy	250,000	7/13/2017 to	7/13/2018
Lloyd's/Lane & Associates LMA1700049	Auto Physical Damage	260,806	4/15/2017 to	4/15/2018

See independent auditor's report.

Town of Kentwood
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2017

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

Terms end December 31, 2018 for Board Members

See independent auditor's report.

Schedule 22

Town of Kentwood
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2017

Agency Head Name: Irma Gordon, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 36,991
Benefits-Retirement	4,485
Employer Paid Medicare & Social Security	2,802
Registration Fees	165
Conference Travel	561
Travel (Lodging & Per Diem)	503
Mileage	1,087
Special Meals	12
Telephone Reimbursement	551
	<u>\$ 47,157</u>

See independent auditor's report.

Financial Data Schedules

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

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2017

Line	Account Description	Housing Choice Voucher Program 14.871
Assets:		
Current Assets:		
Cash:		
111	Cash - unrestricted	\$ -
112	Cash - restricted - modernization and dev	-
113	Cash - other restricted	6,223
114	Cash - tenant security deposits	-
115	Cash - restricted for payment of current liabilities	6,112
100	Total Cash	<u>12,335</u>
Accounts and notes receivables		
121	Accounts receivable - PHA projects	-
122	Accounts receivable - HUD other projects	-
124	Accounts receivable - other government	-
125	Accounts receivable - miscellaneous	-
126	Accounts receivable - tenants - dwelling rents	-
126.1	Allowance for doubtful accounts - dwelling rents	-
126.2	Allowance for doubtful accounts - other	-
127	Notes, loans, and mortgages receivable - current	-
128	Fraud recovery	-
128.1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowances for uncollectible	<u>-</u>
Current Investments		
131	Investments - unrestricted	-
132	Investments - restricted	-
135	Investments - restricted for payment of current liabilities	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143.1	Allowance for obsolete inventories	-
144	Interprogram due from	-
145	Assets held for sale	-
150	Total Current Assets	<u>12,335</u>
Noncurrent Assets:		
Fixed Assets		
161	Land	-
162	Buildings	-
163	Furniture, equipment, and machinery - dwellings	-
164	Furniture, equipment, and machinery - administration	10,741
165	Leasehold improvements	-
166	Accumulated depreciation	(10,741)
167	Construction in progress	-
160	Total Fixed Assets, net of Accumulated Depreciation	<u>-</u>
171	Notes, loans, and mortgages receivable - non current	-
172	Notes, loans, and mortgages receivable - non current - past due	-
173	Grants receivable - non current	-
174	Other assets	-
176	Investments in joint ventures	-
180	Total Noncurrent Assets	<u>-</u>
190	Total Assets	<u>\$ 12,335</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2017

Line	Account Description	Housing Choice Voucher Program 14.871
Liabilities and Equity:		
Liabilities:		
Current Liabilities:		
311	Bank Overdraft	\$ -
312	Accounts payable less than or equal to 90 days	-
313	Accounts payable greater than 90 days	-
321	Accrued wage / payroll taxes payable	-
322	Accrued compensated absences - current portion	-
324	Accrued contingency liability	-
325	Accrued interest payable	-
331	Accounts payable - HUD PHA programs	-
332	Accounts payable - PHA projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342	Deferred revenues	-
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	-
344	Current portion of long-term debt - operating borrowings	-
345	Other current liabilities	(6,112)
346	Accrued liabilities - other	-
347	Interprogram due to	-
348	Loan liability - current	-
310	Total Current Liabilities	<u>(6,112)</u>
Noncurrent Liabilities		
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	-
352	Long-term debt, net of current - operating borrowings	-
353	Noncurrent liabilities - other	-
354	Accrued compensated absences - noncurrent	-
355	Loan liability - noncurrent	-
356	FASB 5 Liabilities	-
357	Accrued pension and OPEB liabilities	-
350	Total noncurrent liabilities	<u>-</u>
300	Total Liabilities	<u>(6,112)</u>
400	Deferred Inflow of Resources	<u>-</u>
Equity		
508.1	Invested in Capital Assets, Net of Related Debt	-
511.1	Restricted Net Assets	(527)
512	Undesignated Fund Balance/Retained Earnings	-
512.1	Unrestricted Net Assets	<u>(5,696)</u>
513	Total Equity / Net Assets	<u>(6,223)</u>
600	Total Liabilities and Equity / Net Assets	<u>\$ (12,335)</u>

(Continued)

See independent auditor's report.

Schedule 23 (Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2017

Line	Account Description	Housing Choice Voucher Program 14.871
Revenue:		
70300	Net tenant rental revenue	\$ -
70400	Tenant revenue - other	-
70500	Total Tenant Revenue	<u>-</u>
70600	HUD PHA operating grants	354,433
70610	Capital grants	-
70800	Other government grants	-
71100	Investment income - Unrestricted	144
71200	Mortgage interest income	-
71300	Proceeds from disposition of assets held for sale	-
71310	Cost of sale of assets	-
71400	Fraud recovery	1,050
71500	Other revenue	4,585
71600	Gain / loss on sale of fixed assets	-
72000	Investment income - restricted	-
70000	Total Revenue	<u>360,212</u>
Expenses		
Administrative		
91100	Administrative Salaries	37,390
91200	Auditing Fees	-
91300	Management Fee	-
91310	Book-keeping Fee	3,600
91400	Advertising and Marketing	-
91500	Employee benefit contributions - administrative	15,899
91600	Office Expenses	-
91700	Legal Expense	-
91800	Travel	-
91900	Other	1,914
91000	Total Operating Administrative	<u>58,803</u>
92000	Asset Management Fee	-
Tenant Services:		
92100	Tenant services - salaries	-
92200	Relocation costs	-
92300	Employee benefit contributions - tenant services	-
92400	Tenant services - other	-
92500	Total Tenant Services	<u>-</u>
Utilities		
93100	Water	-
93200	Electricity	-
93300	Gas	-
93400	Fuel	-
93500	Labor	-
93600	Sewer	-
93700	Employee benefit contributions - utilities	-
93800	Other utilities expense	-
93000	Total Utilities	<u>-</u>
Ordinary Maintenance and Operation:		
94100	Ordinary maintenance and operations - labor	-
94200	Ordinary maintenance and operations - materials and other	-
94300	Ordinary maintenance and operations - contract costs	-
94500	Employee benefit contributions - ordinary maintenance	-
94000	Total Maintenance	<u>-</u>

(Continued)

See independent auditor's report.

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2017

Line	Account Description	Housing Choice Voucher Program 14,871
	Protective Services:	
95100	Protective services - labor	-
95200	Protective services - other contract costs	-
95300	Protective services - other	-
95500	Employee benefit contributions - protective services	-
95000	Total Protective Services	<u>-</u>
	General Expenses:	
96110	Property insurance	-
96120	Liability insurance	-
96130	Workmen's compensation	174
96140	All other insurance	-
96100	Total Insurance Premiums	<u>174</u>
96500	Bad debt - mortgages	-
96600	Bad debt - other	-
96710	Interest expense	-
96800	Severance expense	-
96000	Total Other General Expenses	-
96900	Total Operating Expenses	<u>58,977</u>
97000	Excess Operating Revenue over Operating Expenses	<u>301,235</u>
	Other Expenses:	
97100	Extraordinary maintenance	-
97200	Casualty losses - non-capitalized	-
97300	Housing assistance payments	317,238
97350	HAP portability-in	4,146
97400	Depreciation expense	-
97500	Fraud losses	-
97800	Dwelling units rent expense	-
90000	Total Expenses	<u>380,361</u>
	Other Financing Sources (Uses)	
10010	Operating transfers in	-
10020	Operating transfers out	-
10030	Operating transfers from/to primary government	-
10040	Operating transfers from/to component unit	-
10070	Extraordinary items (net gain/loss)	-
10080	Special items (net gain/loss)	-
10093	Transfers between program and project-in	18,312
10094	Transfers between program and project-out	-
10100	Total Other Financing Sources (Uses)	<u>18,312</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (1,837)</u>
	Memo Account Information	
11020	Required Annual Debt Principal Payments	-
11030	Beginning Equity	8,060
11040	Prior period adjustments, equity transfers and correction of errors	-
11170	Administrative fee equity	5,696
11180	Housing assistance payments equity	527
11190	Unit months available	828
11210	Number of unit month's leased	799

(Concluded)

See independent auditor's report.

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

Member
AICPA

Member
LCPA

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Town 's basic financial statements and have issued my report thereon dated June 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Town'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's internal control. Accordingly, I do not express an opinion on the effectiveness of Town's internal control.

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

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

control, described in the accompanying schedule of findings and responses (Finding 2017-1) that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are listed in the accompanying schedule of findings and responses as finding 2017-002.

Town of Kentwood, Louisiana's Response to Findings

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

Purpose of this Report

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



Minda Raybourn, CPA
Franklinton, Louisiana
June 28, 2018

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2017

Findings related to the Financial Statements

Finding 2017-001 Credit Cards

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

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

Cause: Unknown

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

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

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

Finding 2017-002 Budget Compliance

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

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

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

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2017

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

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

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

Town of Kentwood, Louisiana
Schedule of Current Year Audit Findings & Responses
For the Year Ended December 31, 2017

Findings related to the Financial Statements

Finding 2016-1 Municipal Employee Retirement System

Criteria: For the Louisiana Municipal Retirement System, the definition of “earnings” means the full amount of compensation earned by a member for service rendered as an employee, excluding bonuses or fees paid in excess of regular salary or retainer, overtime pay, and payments relative to termination of employment including, but not limited to, accrued sick or annual leave and severance pay (LA R.S. 11:1732).

Condition: During the fiscal year of 2016, the Town paid contributions of \$3,622 to the Louisiana Municipal Employee Retirement System on overtime earned by employees whom are enrolled in the system.

Cause: Unknown

Effect: If retirement contributions are paid into the retirement system based on the incorrect level of earnings, the contributions will be incorrect and withholdings will be incorrect. The retirement expense on the financial reports will be overstated.

Recommendation: The Town should not pay retirement contributions based on overtime to the Louisiana Municipal Retirement System. In addition, the Town should consult with MERS on possible corrections and refunds.

Response: The Town agrees with the recommendation.

Status: Resolved.

**INDEPENDENT ACCOUNTANT'S
REPORT ON APPLYING
AGREED-UPON PROCEDURES**

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

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

Member
AICPA

Member
LCPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 24, 2018

To the Honorable Irma T. Gordon
And Board of Aldermen
Town of Kentwood
308 Ave G
Kentwood, LA 70444

And Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Town of Kentwood (the Town or the Entity) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The Town does have written policies and procedures regarding budgeting.

- 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.

The Town does have written policies and procedures regarding purchasing.

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

The Town does have written policies and procedures regarding disbursements.

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

The Town does have written policies and procedures regarding receipts.

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

The Town does have written policies and procedures regarding payroll.

- 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

The Town does have policies and procedures addressing contracting.

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

The Town's does have procedures regarding fuel cards and credit cards. Debit cards and P-cards are not used.

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

The Town does have policies and procedures regarding travel and expense reimbursement.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The Town does have policies and procedures regarding ethics.

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

The Town doe have written policies and procedures regarding debt service.

Board (or Finance Committee, if applicable)

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

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

The Town holds board meetings on the first Thursday of each month.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The Town's board minutes did not reference monthly budget to actual comparisons. The Town's funds did not show a fund balance deficit for any of the funds. The Town did have a special meeting on October 24, 2017 to discuss the budget. The minutes do reflect that the budget was amended for an increase in utility rates to raise more revenues as a result of increase in the cost of operations of the Town.

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

The Town's minutes referenced non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

A listing of client bank accounts and management's representation the listing is complete were obtained.

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

- a) Bank reconciliations have been prepared;

Bank reconciliations have been prepared.

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

Bank statements and reconciliations for all months in the fiscal period were obtained for selected account. Management's review was not documented on the reconciliations.

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

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

Collections

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

A listing of cash collection locations and management's representation that the listing is complete were obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:

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

The Town has three clerks that handle cash collections. In the cash collection location selected, the person responsible for collecting cash is at times responsible for depositing cash in the bank and recording transactions (either to the Quickbooks accounting system or utility billing system). A separate person is responsible for reconciling the bank account. The town has three cash drawers that are not shared. The person responsible for cash is bonded.

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

There is a formal process to reconcile cash collections to the general ledger by revenue source, by a person who is not responsible for cash collections.

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

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

of collection, report the number of days from receipt to deposit for each day at each collection location.

The highest (dollar) week of cash collections for the one collection location was obtained along with collection documentation, deposit slips, and bank statements. Most utility collections were deposited two business days or later.

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

All collections were completely supported by documentation for the location tested.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Town does have written policies or procedures that documents a process to determine completeness of all collections for each revenue source.

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

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

The general ledger was obtained and sorted and filtered for disbursements. Management's representation that the population is complete were obtained.

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

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

Purchases were initiated using a purchase order.

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

Purchases orders were approved by a person who did not initiate the purchase.

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

I noted the following:

- 1) *One payment to a vendor for various supplies had an invoice with no purchase order number but instead a street name was used as the purchase order.*
- 2) *One payment for tires had an invoice with a purchase order number but no purchase order was attached.*
- 3) *One payment to a vendor for culverts had not purchase order. Another invoice for supplies had an unsigned purchase order.*
- 4) *One payment for office supplies did not have a purchase order.*
- 5) *One invoice for various auto parts and supplies had five invoices for which one did not have a purchase order.*
- 6) *One payment for sampling and analysis of the sewerage treatment system was paid by statement and not an invoice.*

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

The Town does not have written documentation that prohibits the person responsible for processing payments from adding vendors to the purchasing/disbursement system. The town clerk can process payments and add vendors to the Town's Quickbooks system.

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

The Town does not have written documentation that prohibits the person with signatory authority or the person that makes the final authorization for disbursements from initiating or recording purchases. The town clerk processes the payments and the mayor and town clerk sign the disbursements.

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

Inquiry and observations of management indicated that unused check stock is maintained in a locked location.

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

The Town does not use signature stamps or a signature machine. Any signed checks are kept in the clerk's office and are mailed off the next business day.

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

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

I obtained a list of active credit cards and fuel cards. Management's representation that the listing is complete. The Town does not use debit cards or P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

The Town has two credit cards. The Town has fuel cards assigned to various employees.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The fuel card statement sampled did not have approval. It had a detailed statement showing each card's activity (dates, locations, and amounts purchased). The credit card statement did not have all supporting documentation attached.

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

There were finance charges on the credit card statement sampled but they were not paid.

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

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

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

The fuel card receipts were not attached. However, a statement detailing each card assigned to each employee shows date of purchase, location of purchase, gallons of fuel, and dollar amount. If it is a non-fuel purchase, it indicates it as a non-fuel purchase but no other details.

The town has two credit cards. For once card, some receipts were attached but not all. Upon requests, the remaining receipts were provided.

The second card had no receipts attached. Upon request, copies of receipts were provided for all but two purchases.

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

Fuel cards are assigned to employees for the use of the vehicle they are assigned to. Odometer reading are required and were noted on the statement.

One credit card had purchase for meals for which there is no business or public purpose indicated on the receipt or anywhere else and who the individuals were that participated in the meal.

Both credit cards had hotel charges for which there was no other information provided to support the purpose of the charge other than the hotel receipt.

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

The was no other documentation provided.

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

There were no charges that would be subject to the Louisiana Public Bid Law.

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

There were no exceptions to this procedure.

Travel and Expense Reimbursement

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

The general ledger was sorted and filtered for travel reimbursements. Management's representation that the general ledger is complete were obtained.

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

The Town's written policies relating to travel and expense reimbursements were obtained. The policy reflects the usage of federal and state of Louisiana guidelines.

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

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

There were no exceptions noted as a result of applying this procedure.

- b) Report whether each expense is supported by:

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

Contracts

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

The general ledger was obtained and sorted and filtered for contract payments. Management's representation that the general ledger is complete were obtained.

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

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

The Town had written contract that supported the service arrangements and payments.

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

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions to this procedure.

Payroll and Personnel

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

A listing of employees with their related salaries and management's representation that the listing is complete were obtained. Five employees were randomly selected and their personnel files were obtained.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All selected employees did have daily attendance and leave documented.

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

Attendance and leave for the selected employees was approved by the supervisors.

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

The Town did maintain complete written documentation of leave records on the selected employees.

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

One employee resigned. He was paid his unused vacation leave in accordance with the Town's policy.

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

There were no exceptions noted as a result of applying this procedure.

Ethics (excluding nonprofits)

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

A search was performed on the Louisiana Board of Ethics for training. Out of five employees tested, all had training.

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

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

Debt Service (excluding nonprofits)

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

On August 18, 2017, the State Bond Commission approved not exceeding \$1,200,000 Revenue Bonds, Series 2017, for the purpose of (i) financing the costs of the acquisition, construction, and equipping of recreational facilities of the Town, (ii) funding a debt service reserve fund, and (iii) financing the costs of issuance of the bonds.

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

There were no exceptions to this procedure.

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

There were no exceptions to this procedure.

Other

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

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

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

The Town does have the required notices posted on its premises and website.

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

No exceptions were noted as a result of applying this procedure.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

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

Franklinton, LA

June 24, 2018