

CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2016



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Retired  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedules of employer's share of net pension liabilities, and the schedules of employer contributions on pages 53 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan, Louisiana's basic financial statements. The other supplementary information on pages 64 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2016 on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kaplan, Louisiana's internal control over financial reporting and compliance.

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

Abbeville, Louisiana  
November 17, 2016

## **BASIC FINANCIAL STATEMENTS**



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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position  
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and interest-bearing deposits	\$ 1,975,146	\$ 2,938,909	\$ 4,914,055
Receivables, net	34,185	1,059,479	1,093,664
Due from other governmental units	110,886	-	110,886
Restricted assets:			
Cash and interest-bearing deposits	-	632,283	632,283
Capital assets:			
Non-depreciable	1,151,261	179,309	1,330,570
Depreciable, net	<u>7,415,250</u>	<u>11,328,979</u>	<u>18,744,229</u>
Total assets	<u>10,686,728</u>	<u>16,138,959</u>	<u>26,825,687</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>309,920</u>	<u>156,249</u>	<u>466,169</u>
LIABILITIES			
Accounts and other payables	646,296	367,818	1,014,114
Compensated absences payable	8,841	-	8,841
Internal balances	(15,668)	15,668	-
Customer deposits payable	-	377,696	377,696
Accrued interest	10,457	5,353	15,810
Long-term liabilities:			
Due within one year	99,000	117,000	216,000
Due in more than one year	1,048,000	1,259,000	2,307,000
Net pension liability	<u>922,505</u>	<u>432,171</u>	<u>1,354,676</u>
Total liabilities	<u>2,719,431</u>	<u>2,574,706</u>	<u>5,294,137</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>123,078</u>	<u>33,565</u>	<u>156,643</u>
NET POSITION			
Net investment in capital assets	7,419,511	10,132,288	17,551,799
Restricted for:			
Debt service	163,217	249,234	412,451
Sales tax dedications	780,451	-	780,451
Unrestricted	<u>(209,040)</u>	<u>3,305,415</u>	<u>3,096,375</u>
Total net position	<u>\$ 8,154,139</u>	<u>\$ 13,686,937</u>	<u>\$ 21,841,076</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Activities  
For the Year Ended June 30, 2016

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,069,077	\$ 199,473	\$ 13,000	\$ 5,000	\$ (851,604)	\$ -	\$ (851,604)
Public safety:							
Police	902,709	22,688	84,483	-	(795,538)	-	(795,538)
Fire	454,266	-	99,910	-	(354,356)	-	(354,356)
Streets	516,985	-	-	-	(516,985)	-	(516,985)
Culture and recreation	55,816	-	-	-	(55,816)	-	(55,816)
Interest on long-term debt	40,163	-	-	-	(40,163)	-	(40,163)
Total governmental activities	<u>3,039,016</u>	<u>222,161</u>	<u>197,393</u>	<u>5,000</u>	<u>(2,614,462)</u>	<u>-</u>	<u>(2,614,462)</u>
Business-type activities:							
Electric	3,469,016	4,985,011	-	16,700	-	1,532,695	1,532,695
Gas	538,547	470,712	-	-	-	(67,835)	(67,835)
Water	492,238	472,158	-	-	-	(20,080)	(20,080)
Sewerage	625,873	479,940	-	-	-	(145,933)	(145,933)
Interest on long-term debt	52,115	-	-	-	-	(52,115)	(52,115)
Total business-type activities	<u>5,177,789</u>	<u>6,407,821</u>	<u>-</u>	<u>16,700</u>	<u>-</u>	<u>1,246,732</u>	<u>1,246,732</u>
Total	<u>\$ 8,216,805</u>	<u>\$ 6,629,982</u>	<u>\$ 197,393</u>	<u>\$ 21,700</u>	<u>(2,614,462)</u>	<u>1,246,732</u>	<u>(1,367,730)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					75,984	-	75,984
Property taxes, levied for bond retirement					110,884	-	110,884
Sales and use taxes, levied for general purposes					634,256	-	634,256
Franchise taxes					31,286	-	31,286
Beer taxes					10,638	-	10,638
Interest and investment earnings					2,541	10,810	13,351
Miscellaneous					19,580	27,865	47,445
Nonemployer pension contribution					36,490	15,282	51,772
Gain (loss) on disposal of capital assets					(9,845)	-	(9,845)
Transfers					1,616,912	(1,616,912)	-
Total general revenues and transfers					<u>2,528,726</u>	<u>(1,562,955)</u>	<u>965,771</u>
Change in net position					(85,736)	(316,223)	(401,959)
Net position, beginning					8,239,875	14,003,160	22,243,035
Net position, ending					<u>\$ 8,154,139</u>	<u>\$ 13,686,937</u>	<u>\$ 21,841,076</u>

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

**FUND FINANCIAL STATEMENTS (FFS)**

## **MAJOR FUND DESCRIPTIONS**

### **General Fund**

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

### **Special Revenue Fund**

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

### **Sales Tax Fund**

To account for the receipts and use of proceeds of the City's one percent sales and use tax. These taxes are dedicated for the following purposes: (1) Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public and (2) Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

### **Enterprise Fund**

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

### **Utility Fund -**

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

CITY OF KAPLAN, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash and interest-bearing deposits	\$ 612,951	\$ 705,699	\$ 234,007	\$ 1,552,657
Receivables:				
Due from other funds	56,270	100	3,244	59,614
Due from other governmental entities	7,632	103,195	59	110,886
Accrued interest receivable	-	1,564	97	1,661
Other receivables	27,358	-	-	27,358
Total assets	<u>\$ 704,211</u>	<u>\$ 810,558</u>	<u>\$ 237,407</u>	<u>\$ 1,752,176</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,691	\$ 5,106	\$ 1,079	\$ 34,876
Contract payable	436,670	-	-	436,670
Retainage payable	45,948	-	-	45,948
Salaries payable	32,242	-	-	32,242
Compensated absences payable	8,841	-	-	8,841
Due to other funds	11,245	25,001	600	36,846
Total liabilities	<u>563,637</u>	<u>30,107</u>	<u>1,679</u>	<u>595,423</u>
Fund balances:				
Restricted	-	780,451	163,217	943,668
Assigned	-	-	72,511	72,511
Unassigned	140,574	-	-	140,574
Total fund balances	<u>140,574</u>	<u>780,451</u>	<u>235,728</u>	<u>1,156,753</u>
Total liabilities and fund balances	<u>\$ 704,211</u>	<u>\$ 810,558</u>	<u>\$ 237,407</u>	<u>\$ 1,752,176</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2016

Total fund balances for governmental funds		\$ 1,156,753
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets net		8,566,511
Long-term liabilities, including bonds payable, deferred inflows of resources, and deferred outflows of resources are not due & payable in the current period and are therefore not reported in the governmental funds.		
Deferred outflows of resources related to net pension liability	309,920	
Deferred inflows of resources related to net pension liability	(123,078)	
Bonds payable	(1,147,000)	
Net pension liability	(922,505)	
Accrued interest payable	<u>(10,457)</u>	(1,893,120)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		
		<u>323,995</u>
Total net position of governmental activities		<u>\$ 8,154,139</u>

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

CITY OF KAPLAN, LOUISIANA

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

For the Year Ended June 30, 2016

	General	Sales Tax	Other Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 75,984	\$ 634,256	\$ 110,884	\$ 821,124
Licenses and permits	199,473	-	-	199,473
Intergovernmental	113,121	-	99,910	213,031
Fines and forfeits	19,829	-	2,859	22,688
Interest income	106	2,386	49	2,541
Miscellaneous	50,378	-	488	50,866
Total revenues	<u>458,891</u>	<u>636,642</u>	<u>214,190</u>	<u>1,309,723</u>
<b>Expenditures:</b>				
Current -				
General government	691,467	300,128	32	991,627
Public safety:				
Police	807,011	-	-	807,011
Fire	277,734	-	70,495	348,229
Streets, bridges, and drainage	400,159	-	-	400,159
Culture and recreation	31,266	-	-	31,266
Capital outlay	1,034,167	86,558	-	1,120,725
Debt service -				
Principal retirement	-	-	95,000	95,000
Interest and fiscal charges	-	-	33,008	33,008
Total expenditures	<u>3,241,804</u>	<u>386,686</u>	<u>198,535</u>	<u>3,827,025</u>
(Deficiency) excess of revenues over expenditures	<u>(2,782,913)</u>	<u>249,956</u>	<u>15,655</u>	<u>(2,517,302)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	1,902	-	-	1,902
Transfers in	1,891,890	-	-	1,891,890
Transfers out	-	(274,978)	-	(274,978)
Total other financing sources (uses)	<u>1,893,792</u>	<u>(274,978)</u>	<u>-</u>	<u>1,618,814</u>
Net change in fund balances	(889,121)	(25,022)	15,655	(898,488)
Fund balances, beginning	<u>1,029,695</u>	<u>805,473</u>	<u>220,073</u>	<u>2,055,241</u>
Fund balances, ending	<u>\$ 140,574</u>	<u>\$ 780,451</u>	<u>\$ 235,728</u>	<u>\$ 1,156,753</u>

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



CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2016

Net change in fund balances of governmental funds \$(898,488)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$1,120,725	
Depreciation expense	<u>(263,698)</u>	857,027

Bonds proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal and transfer to paying agent are expenditures in the governmental funds but reduce the liability in the statement of activities.

Principal payments		95,000
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities

(123,488)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Increase in accrued interest payable		(7,155)
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The effect of recording net pension liability, deferred outflows of resources, and deferred inflows of resources as it relates to the net pension liability:

Increase in pension expense	(45,122)	
Nonemployer pension contribution revenue recognized	<u>36,490</u>	<u>(8,632)</u>

Change in net position of governmental activities \$ (85,736)

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position  
 Proprietary Funds  
 June 30, 2016

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 2,938,909	\$ 435,092
Receivables:		
Accounts, net	578,705	-
Unbilled utility receivables	474,164	-
Accrued interest receivable	2,904	2,281
Due from other funds	8,400	-
Other	3,706	2,885
Total current assets	<u>4,006,788</u>	<u>440,258</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	632,283	-
Capital assets, net of accumulated depreciation	11,508,288	-
Total noncurrent assets	<u>12,140,571</u>	<u>-</u>
Total assets	<u>16,147,359</u>	<u>440,258</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	<u>156,249</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Cash overdraft	-	12,603
Accounts payable	357,918	-
Salaries payable	9,900	-
Claims payable	-	96,560
Due to other funds	24,068	7,100
Payable from restricted assets -		
Revenue bonds	117,000	-
Accrued interest payable	5,353	-
Total current liabilities	<u>514,239</u>	<u>116,263</u>
Noncurrent liabilities:		
Customers' deposits payable	377,696	-
Revenue bonds	1,259,000	-
Net pension liability	432,171	-
Total noncurrent liabilities	<u>2,068,867</u>	<u>-</u>
Total liabilities	<u>2,583,106</u>	<u>116,263</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	<u>33,565</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	10,132,288	-
Restricted for debt service	249,234	-
Unrestricted	3,305,415	323,995
Total net position	<u>\$ 13,686,937</u>	<u>\$ 323,995</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Year Ended June 30, 2016

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>        </u>	<u>        </u>
Operating revenues:		
Charges for services	\$ 6,407,821	\$ 498,053
Operating expenses:		
Electricity department expenses	3,414,882	-
Gas department expenses	474,869	-
Water department expenses	354,444	-
Sewerage department expenses	289,810	-
Depreciation expense	591,669	-
Self insurance expenses	-	623,017
Total operating expenses	<u>5,125,674</u>	<u>623,017</u>
Operating income (loss)	<u>1,282,147</u>	<u>(124,964)</u>
Nonoperating revenues (expenses):		
Interest income	10,810	1,476
Franchise fee	27,865	-
Interest expense	(52,115)	-
Nonemployer pension contribution	15,282	-
Total nonoperating revenues (expenses)	<u>1,842</u>	<u>1,476</u>
Income before contributions and transfers	1,283,989	(123,488)
Capital contributions	16,700	-
Transfers in	274,978	-
Transfers out	<u>(1,891,890)</u>	<u>-</u>
Change in net position	(316,223)	(123,488)
Net position, beginning	<u>14,003,160</u>	<u>447,483</u>
Net position, ending	<u>\$ 13,686,937</u>	<u>\$ 323,995</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$ 6,328,571	\$ -
Receipts from insured	-	495,168
Payments to suppliers	(3,804,661)	(540,902)
Payments to employees	<u>(713,248)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,810,662</u>	<u>(45,734)</u>
Cash flows from noncapital financing activities:		
Franchise fees	27,865	-
Cash received from other funds	24,068	-
Meter deposits, net of refunds	4,875	-
Transfers from other funds	274,978	-
Transfers to other funds	(1,891,890)	-
Increase in cash overdraft	<u>-</u>	<u>12,603</u>
Net cash (used) provided by noncapital financing activities	<u>(1,560,104)</u>	<u>12,603</u>
Cash flows from capital and related financing activities:		
Capital contribution	16,700	-
Principal paid on bonds and notes	(113,000)	-
Interest and fiscal charges paid on bonds	(52,115)	-
Acquisition of capital assets	<u>(34,945)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(183,360)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds of interest-bearing deposits with maturity in excess of ninety days	2,358,258	435,092
Purchase of interest-bearing deposits with maturity in excess of ninety days	(2,363,329)	(435,092)
Interest on investments	<u>10,810</u>	<u>545</u>
Net cash provided by investing activities	<u>5,739</u>	<u>545</u>
Net increase (decrease) in cash and cash equivalents	72,937	(32,586)
Cash and cash equivalents, beginning of period	<u>1,134,926</u>	<u>32,586</u>
Cash and cash equivalents, end of period	<u>\$ 1,207,863</u>	<u>\$ -</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>        </u>	<u>        </u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,282,147	\$ (124,964)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for net pension liability	(28,098)	
Depreciation	591,669	-
(Increase) decrease in current assets		
Accounts receivable, net	(15,582)	-
Unbilled utility receivables	(63,668)	-
Stop loss receivable	-	(2,885)
Increase (decrease) in current liabilities		
Accounts payable	44,254	-
Salaries payable	(60)	-
Claims payable	-	82,115
	<u>        </u>	<u>        </u>
Net cash provided (used) by operating activities	<u>\$ 1,810,662</u>	<u>\$ (45,734)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:		
Cash and cash equivalents, beginning of period -		
Cash and interest-bearing deposits - unrestricted	\$2,877,263	\$ 467,678
Cash and interest-bearing deposits - restricted	615,921	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,358,258)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,134,926</u>	<u>32,586</u>
Cash and cash equivalents, end of period -		
Cash and interest-bearing deposits - unrestricted	2,938,909	435,092
Cash and interest-bearing deposits - restricted	632,283	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,363,329)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>1,207,863</u>	<u>-</u>
Net increase (decrease)	<u>\$ 72,937</u>	<u>\$ (32,586)</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

## CITY OF KAPLAN, LOUISIANA

### Notes to Basic Financial Statements

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

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

#### B. Basis of Presentation

##### Government-Wide Financial Statements (GWFS)

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

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

##### Fund Financial Statements

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

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

The major funds of the City are described below:

Governmental Funds –

General Fund

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

Sales Tax Fund

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

Enterprise Fund –

Utility Fund

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

In addition, the City reports the following:

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



## CITY OF KAPLAN, LOUISIANA

### Notes to Basic Financial Statements

financial statements of the internal services funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity. This proprietary fund is reported with governmental activities in the government-wide statements.

#### C. Measurement Focus/Basis of Accounting

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

##### Measurement Focus

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

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

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

##### Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

## CITY OF KAPLAN, LOUISIANA

### Notes to Basic Financial Statements

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

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

#### Program revenues

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

#### Allocation of indirect expenses

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

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

##### Cash and interest-bearing deposits

For purposes of the statements of net position, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the City. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (4) for additional disclosures.

##### Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$153,007 at June 30, 2016. Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Capital Assets

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

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

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

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

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

## CITY OF KAPLAN, LOUISIANA

### Notes to Basic Financial Statements

#### Compensated Absences

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

#### Restricted Assets

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

#### Long-term debt

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

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

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

#### Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Equity Classification

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Sales Tax Fund	Other Governmental Funds
Restricted:			
Other purposes	\$ -	\$ 780,451	\$ 163,217
Assigned	-	-	72,511
Unassigned	<u>140,574</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>\$ 140,574</u>	 <u>\$ 780,451</u>	 <u>\$ 235,728</u>

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Interfund Transfers

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

F. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Electricity, gas, water and sewer revenue	Debt service and utility operations

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

G. Use of Estimates

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

(2) Ad Valorem Taxes

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

For the years ended June 30, 2016, taxes of 10.31 mills were levied on property with assessed valuations totaling \$18,218,372 and were dedicated as follows:

General corporate purposes	4.20 mills
Bond indebtedness	<u>6.11</u> mills
Total	<u>10.31</u> mills

Total taxes levied at June 30, 2016 were \$187,728. There were no ad valorem taxes receivable at June 30, 2016.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

Proceeds of the one percent sales and use tax levied by the City (2016 collections \$634,256) are dedicated to the following purposes:

- a. Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public.
- b. Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

(4) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The City may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. At June 30, 2016, the City has cash and interest-bearing deposits as follows:

Demand deposits	\$ 2,045,310
Savings and certificates of deposits	<u>3,501,028</u>
Total	<u>\$ 5,546,338</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2016, are as follows:



CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Bank balances \$ 5,743,558

At June 30, 2016 the deposits are secured as follows:

Federal deposit insurance 1,500,000

Uninsured and collateral held by the pledging bank,  
not in the City's name 4,243,558

Total \$ 5,743,558

(5) Receivables

Receivables at June 30, 2016 consist of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Accounts	\$ -	\$ 578,705	\$ 578,705
Unbilled revenue	-	474,164	474,164
Accrued interest	3,942	2,904	6,846
Other	<u>30,243</u>	<u>3,706</u>	<u>33,949</u>
Totals	<u>\$ 34,185</u>	<u>\$ 1,059,479</u>	<u>\$ 1,093,664</u>

Allowance for uncollectible accounts in the business type activities was \$153,007 at June 30, 2016. The aging of the Accounts Receivable is as follows:

Current	\$ 574,752
31 - 60 days	6,967
60 - 90 days	1,316
Over 90 days	148,677
Less allowances for uncollectible accounts	<u>(153,007)</u>
Total	<u>\$ 578,705</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(6) Due from Other Governmental Units

Amounts due from other governmental units consisted of the following at June 30, 2016:

Kaplan City Court - fines collected	\$ 2,355
The State of Louisiana Department of Transportation	2,500
The State of Louisiana Department of Revenue - Beer Taxes	2,836
The Vermilion Parish School Board - sales taxes	<u>103,195</u>
	<u>\$ 110,886</u>

(7) Restricted Assets – Propriety Fund Type (Enterprise Utility Fund)

Restricted assets were applicable to the following at June 30, 2016:

Customers' deposits	\$ 377,696
Bond sinking fund account	13,843
Bond reserve fund	172,252
Bond renewal and replacement fund	<u>68,492</u>
Total restricted assets	<u>\$ 632,283</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Construction in progress	-	1,036,714	-	1,036,714
Other capital assets:				
Buildings	2,967,627	-	-	2,967,627
Infrastructure	10,656,624	-	-	10,656,624
Equipment, furniture and fixtures	2,471,117	84,011	236,167	2,318,961
Totals	<u>16,209,915</u>	<u>1,120,725</u>	<u>236,167</u>	<u>17,094,473</u>
Less accumulated depreciation				
Buildings	895,941	79,726	-	975,667
Infrastructure	5,527,212	59,619	-	5,586,831
Equipment, furniture and fixtures	2,065,531	124,353	224,420	1,965,464
Total accumulated depreciation	<u>8,488,684</u>	<u>263,698</u>	<u>224,420</u>	<u>8,527,962</u>
Governmental activities, capital assets, net	<u>\$ 7,721,231</u>	<u>\$ 857,027</u>	<u>\$ 11,747</u>	<u>\$ 8,566,511</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Other capital assets:				
Buildings and systems	23,249,012	-	-	23,249,012
Machinery and equipment	751,204	-	-	751,204
Automobiles	276,525	34,945	20,300	291,170
Total other capital assets	<u>24,456,050</u>	<u>34,945</u>	<u>20,300</u>	<u>24,470,695</u>
Less accumulated depreciation				
Buildings and systems	11,672,983	536,454	-	12,209,437
Machinery and equipment	549,969	29,877	-	579,846
Automobiles	168,086	25,338	20,300	173,124
Total accumulated depreciation	<u>12,391,038</u>	<u>591,669</u>	<u>20,300</u>	<u>12,962,407</u>
Business-type activities, capital assets, net	<u>\$ 12,065,012</u>	<u>\$ (556,724)</u>	<u>\$ -</u>	<u>\$ 11,508,288</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 69,785
Police	42,806
Fire	70,965
Streets	55,592
Recreation	<u>24,550</u>
Total depreciation expense	<u>\$263,698</u>

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

Electric	\$ 54,134
Gas	63,678
Water	137,794
Sewer	<u>336,063</u>
Total depreciation expense	<u>\$591,669</u>

(9) Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 34,876	\$ 357,918	\$ 392,794
Contracts payable	436,670	-	436,670
Retainage payable	45,948	-	45,948
Salaries payable	32,242	9,900	42,142
Claims payable	<u>96,560</u>	<u>-</u>	<u>96,560</u>
Totals	<u>\$ 646,296</u>	<u>\$ 367,818</u>	<u>\$1,014,114</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(10) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2016:

	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable -					
General Obligation					
Bonds, Series 2005	\$ 242,000	\$ -	\$ (44,000)	\$ 198,000	\$ 46,000
General Obligation					
Bonds, Series 2015	<u>1,000,000</u>	<u>-</u>	<u>(51,000)</u>	<u>949,000</u>	<u>53,000</u>
Total governmental activities	<u>\$ 1,242,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 1,147,000</u>	<u>\$ 99,000</u>
Business-type activities:					
Utilities Revenue					
Refunding Bonds,					
Series 2011	<u>\$ 1,489,000</u>	<u>\$ -</u>	<u>\$ (113,000)</u>	<u>\$ 1,376,000</u>	<u>\$ 117,000</u>

Bonds payable at June 30, 2016, are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$550,000 General Obligation Bonds, Series 2005, for the purpose of resurfacing and improving city streets, due in annual installments of \$23,000 to \$53,000 through March 1, 2020; at an interest rate of 4.15% (to be retired from the proceeds of ad valorem taxes)	198,000
\$1,000,000 General Obligation Bonds, Series 2015, due in annual installments of \$51,000 to \$84,000 through March 1, 2030; at interest rates of 2.00% to 2.75% (to be retired from the proceeds of ad valorem taxes)	<u>949,000</u>
Total general obligation bonds	<u>\$ 1,147,000</u>

Revenue Bonds:

\$1,849,000 Utilities Revenue Refunding Bonds, Series 2011, due in annual installments of \$42,000 to \$160,000 through June 1, 2026; interest rate of 3.5% (to be retired from operation of combined waterworks system, electric distribution system, sewerage system and natural gas transmission and distribution system)	<u>\$ 1,376,000</u>
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CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2017	99,000	31,803	117,000	48,160	295,963
2018	104,000	28,834	122,000	44,066	298,900
2019	108,000	25,722	126,000	39,796	299,518
2020	112,000	22,466	130,000	35,386	299,852
2021	61,000	19,086	135,000	30,836	245,922
2022 - 2026	342,000	71,328	746,000	80,152	1,239,480
2027 - 2030	321,000	22,442	-	-	343,442
	<u>\$1,147,000</u>	<u>\$ 221,681</u>	<u>\$ 1,376,000</u>	<u>\$ 278,396</u>	<u>\$ 3,023,077</u>

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions for the year ended June 30, 2016.

(11) Compensated Absences

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. As of June 30, 2016, no accrual for accumulated sick leave has been recorded.

Employees of the City earn vacation when they are hired and it is based upon the number of years of full-time service and varies from 5 to 15 days per year. Vacation leave cannot carryover to the following year.

Employees of the City earn paid time off, instead of overtime pay at a rate of time and a half which is based on the employee's hourly rate, up to a maximum of 240 hours. Employees separated due to resignation or termination are paid for the amount of accumulated paid time off earned by that employee at separation. As of June 30, 2016, an accrual of \$8,841 for accumulated paid time off has been recorded. The amount is attributable to the governmental activities.

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Notes to Basic Financial Statements

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

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

- a. The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- b. Each month there shall be set aside into the Utilities Revenue Bond Sinking Fund on or before the 20<sup>th</sup> day of each month a sum equal to the principal and interest accruing on said debt obligations for such month payable from the Sinking Fund together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due.
- c. The Reserve Fund is to be maintained solely for the purpose of paying the principal of and interest on bonds payable from the Debt Service Fund. The Reserve Fund is required to be funded to a sum equal to the lesser of (1) 10% of the proceeds of the bonds and any issue of Parity Obligations, (2) one half of the maximum scheduled principal and interest requirements for any succeeding calendar year on the Bonds and any Parity Obligations, or (3) 125% of the average annual principal and interest requirements on the Bonds and any issue of Parity Obligations. Pursuant to the Bond Ordinance the Issuer, is to retain in the Reserve Fund an amount equal to the Reserve Fund Requirement, which upon delivery of the Bonds was \$83,033.
- d. Funds shall be set aside into the Capital Addition and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers shall be made on or before the 20<sup>th</sup> day each month in an amount equal to a sum at least equal to five percent of the amount to be paid into the Sinking Fund, provided such sum is available after provision is made for the payments required under (a), (b), and (c) above.

All required transfers were made for the year ended June 30, 2016.

(13) Employee Retirement

During the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions*. The Municipal Employees' Retirement System and Firefighters' Retirement System prepare their employer schedules in accordance with the Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows,

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

deferred outflows, pension expense and amortization periods for deferred inflows and deferred outflows.

The employer pension schedules of the Municipal Employees' Retirement System and Firefighters' Retirement System are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based, is recognized in the period in which the employee is compensated for services performed. The member's earnable compensation is attributed to the employer for which the member is employed as of June 30, 2015.

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

A. Municipal Employees' Retirement System of Louisiana

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

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

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

Retirement Benefits: Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

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

1. Any age with thirty (30) years of creditable service.



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Notes to Basic Financial Statements

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

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

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

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

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

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

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

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increases are payable to participants until employment which made them eligible to become members of MERS has been terminated for at least one full year.

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

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

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

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

**Employer Contributions:** According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2015, the actual employer contribution rate was 9.50% for Plan B.

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

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**Employer Allocations:** The schedule of employer allocations reports the required projected employer contributions in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of the Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's contributions to the System during the fiscal year ended June 30, 2015 as compared to the total of all employers' contributions received by the System for the fiscal year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2016, the City reported a liability of \$923,171 for its proportionate share of the net pension liability, of which \$491,000 and \$432,171 was reported in the governmental activities and business-type activities, respectively. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 1.358310%, which was an increase of .035887% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$120,454 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$2,430.

CITY OF KAPLAN, LOUISIANA

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At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ -	\$ 14,007	\$ -	\$ 12,328
Change in assumption	44,761	-	39,397	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	10,321	24,128	9,084	21,237
Net differences between projected and actual earnings on plan investments	73,852	-	65,005	-
Contributions subsequent to the measurement date	48,584	-	42,763	-
Total	<u>\$ 177,518</u>	<u>\$ 38,135</u>	<u>\$ 156,249</u>	<u>\$ 33,565</u>

Deferred outflows of resources of \$91,347 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30:</u>	
2017	\$ 33,334
2018	33,334
2019	57,923
2020	46,129
	<u>\$ 170,720</u>

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

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A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%, net of investment expense
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set back 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected Remaining Service Lives	4 years for Plan B
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 verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a reliable experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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 of 2.4% and an adjustment for the effect of

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rebalancing/diversification. The resulting expected long-term rate of return was 8.3% for the year ended June 30, 2015.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Rate Rate of Return</u>
Public equity	50%	2.95%
Public fixed income	15%	0.89%
Alternatives	<u>35%</u>	<u>2.06%</u>
Totals	100%	5.90%
Inflation		<u>2.40%</u>
Expected Arithmetic Nominal Return		<u>8.30%</u>

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of System's actuary. Based on those assumptions, System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in the Discount Rate: The following presents MERS's net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2015:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability	\$ 1,245,433	\$ 923,171	\$ 648,682

B. Firefighters Retirement System of Louisiana

Plan description: The Firefighters' Retirement System (the System) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment for any full-time firefighters who earn more than \$375 per

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month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Firefighters' Retirement System issues a stand-alone report on its financial statements for the year ended June 30, 2015. Access to the audit report can be found on the System's website [www.lafirefightersret.com](http://www.lafirefightersret.com) or on the Office of Louisiana Legislative Auditor's official website [www.la.state.la.us](http://www.la.state.la.us).

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

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

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

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

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

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

**Employer Contributions:** Employer contributions are actuarially determined each year. For the year ended June 30, 2015, employer and employee contributions for members above the poverty line were 29.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 31.25% and 8.0%, respectively.

**Non-employer Contributions:** The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2015 and excluded from pension expense.

**Employer Allocations:** The schedule of employer allocations reports the required projected combined (employer and employee) contributions in addition to the employer allocation percentage. The required combined contributions are used to determine the proportionate relationship of each employer to all employers of the Firefighters' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts.

The allocation method used in determining each employer's proportion was based on the combined (employer and employee) contributions to the System during the year ended June 30, 2015 as compared to the total of all combined contributions to the System during the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2016, the City reported a liability of \$431,505 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportionate share was .079951%, which was an increase of .007002% from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$64,287 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, of \$1,025.



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At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 19,721
Change in assumptions	5,408	182
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	33,829	65,040
Net differences between projected and actual earnings on plan investments	46,282	-
Contributions subsequent to the measurement date	<u>46,883</u>	<u>-</u>
Total	<u>\$ 132,402</u>	<u>\$ 84,943</u>

Deferred outflows of resources of \$46,883 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30:</u>	
2017	\$ (92)
2018	(92)
2019	(91)
2020	7,804
2021	(10,724)
2022	<u>3,771</u>
	<u>\$ 576</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

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

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years
Actuarial Assumptions:	
Investment Rate of Return	7.5% per annum
Projected Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Inflation Rate	2.875% per annum
Cost of Living Adjustments	Only those previously granted

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

The 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. The resulting expected long-term rate of return was 8.24% for the year ended June 30, 2015. Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 are summarized in the following table:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed income	24%	1.84%
Equity	51%	6.50%
Alternatives	15%	6.96%
Other	<u>10%</u>	4.36%
Total/wighted average	100%	<u>5.24%</u>
Inflation		<u>3.00%</u>
Expected Airthmetic Nominal Return		<u>8.24%</u>

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 612,132	\$ 431,505	\$ 279,668

(14) Litigation and Claims

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

In the opinion of the City's legal counsel, this judgment operates as an encumbrance against the City, although it is judicially unenforceable based on legal precedents, which have held that property, which is owned by the public and is being used for public purposes, is exempt from seizure.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

However, legal counsel further states that the property owned by a municipality, but which is being used in a nongovernmental, profit-making way, may be seized.

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

The City is also a defendant in one other lawsuit; however, management and counsel for the City are unable to reasonably estimate at this time the amount of liability in excess of insurance coverage which may be incurred if adverse decisions are rendered.

(15) Leases

A. Operating leases

The City is engaged in various operating leases for the use of machinery and equipment. Total expenditures for these leases totaled \$7,661 for the year ended June 30, 2016.

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

A detail of compensation, benefits, and other payments paid to Mayor Kirk Champagne for the year ended June 30, 2016 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 24,000
Benefits- retirement	2,280
Car allowance	7,200
Registration fees	400
Conference travel	463
Special meals	<u>81</u>
Total	<u>\$ 34,424</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(17) Compensation of City Officials

A detail of compensation paid to the City Council for the year ended June 30, 2016, follows:

John Carbaugh	\$ 4,200
Eva Dell Morrison	4,200
Dirk Gary	4,200
Richard Leblanc	4,200
Melissa Guidry	350
Kevin Guidry	<u>3,850</u>
Total	<u>\$ 21,000</u>

(18) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$40,000 per individual per year of coverage provided by the program.

During the fiscal year 1991, the City adopted the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. As required by the standard, a reconciliation of claims liabilities is shown below. All funds of the City participate in the program and make payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. For the year ended June 30, 2016, the claims liability of \$96,560 was reported in the Group Insurance Fund. The claims liability is based on the requirements of GASB Statement No. 10, which are that a liability for claims be reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

(19) Reconciliation of Claims Liabilities

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning	\$ 14,445	\$ 74,932
Claims incurred	553,193	274,921
Claims payments	<u>(471,078)</u>	<u>(335,408)</u>
Unpaid claims, ending	<u>\$ 96,560</u>	<u>\$ 14,445</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

Claims payable of \$96,560 at June 30, 2016 was determined as follows:

Claims incurred prior to June 30, 2016 and paid in July, 2016 and August, 2016	\$ 66,708
Claims incurred prior to June 30, 2016 and pending at June 30, 2016	-
Provision for claims incurred but not reported	<u>29,852</u>
Total claims payable	<u>\$ 96,560</u>

The provision for claims incurred but not reported of \$29,852 was calculated utilizing historical information adjusted for current trends.

(20) Interfund Transactions

Interfund balances consist of the following at June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 56,270	\$ 11,245
Sales Tax Fund	100	25,001
Enterprise fund	8,400	24,068
Other Governmental Funds	3,244	600
Internal service fund	<u>-</u>	<u>7,100</u>
Total	<u>\$ 68,014</u>	<u>\$ 68,014</u>

The amounts due from the General Fund to various other funds are for reimbursements owed for expenditures paid for those funds. Transfers consisted of the following for the year ended June 30, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,891,890	\$ -
Sales Tax Fund	-	274,978
Enterprise fund	<u>274,978</u>	<u>1,891,890</u>
Total	<u>\$ 2,166,868</u>	<u>\$ 2,166,868</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(21) On-behalf Payments

The City has recognized \$84,483 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

**REQUIRED  
SUPPLEMENTARY INFORMATION**



CITY OF KAPLAN, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$ 79,575	\$ 79,575	\$ 75,984	\$ (3,591)
Licenses and permits	188,000	188,000	199,473	11,473
Intergovernmental	35,750	35,750	113,121	77,371
Fines and forfeitures	31,000	31,000	19,829	(11,171)
Interest	-	-	106	106
Miscellaneous	40,000	40,000	50,378	10,378
Total revenues	<u>374,325</u>	<u>374,325</u>	<u>458,891</u>	<u>84,566</u>
<b>Expenditures:</b>				
Current -				
General government	672,425	672,425	691,467	(19,042)
Public safety:				
Police	828,900	828,900	807,011	21,889
Fire	268,000	268,000	277,734	(9,734)
Streets, bridges, and drainage	419,000	419,000	400,159	18,841
Culture and recreation	41,750	41,750	31,266	10,484
Capital outlay	-	436,000	1,034,167	(598,167)
Total expenditures	<u>2,230,075</u>	<u>2,666,075</u>	<u>3,241,804</u>	<u>(575,729)</u>
Deficiency of revenues over expenditures	<u>(1,855,750)</u>	<u>(2,291,750)</u>	<u>(2,782,913)</u>	<u>(491,163)</u>
<b>Other financing sources:</b>				
Proceeds from sale of assets	-	-	1,902	1,902
Transfers in	1,850,750	1,850,750	1,891,890	41,140
Total other financing sources	<u>1,850,750</u>	<u>1,850,750</u>	<u>1,893,792</u>	<u>43,042</u>
Net change in fund balance	(5,000)	(441,000)	(889,121)	(448,121)
Fund balance, beginning	<u>1,029,695</u>	<u>1,029,695</u>	<u>1,029,695</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,024,695</u>	<u>\$ 588,695</u>	<u>\$ 140,574</u>	<u>\$ (448,121)</u>

CITY OF KAPLAN, LOUISIANA  
Sales Tax Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 660,000	\$ 644,000	\$ 634,256	\$ (9,744)
Interest income	<u>1,000</u>	<u>1,000</u>	<u>2,386</u>	<u>1,386</u>
Total revenues	<u>661,000</u>	<u>645,000</u>	<u>636,642</u>	<u>(8,358)</u>
Expenditures:				
Current -				
General government	113,000	99,000	300,128	(201,128)
Capital outlay	<u>253,000</u>	<u>258,000</u>	<u>86,558</u>	<u>171,442</u>
Total expenditures	<u>366,000</u>	<u>357,000</u>	<u>386,686</u>	<u>(29,686)</u>
Excess of revenues over expenditures	295,000	288,000	249,956	(38,044)
Other financing uses:				
Transfers out	<u>(295,000)</u>	<u>(288,000)</u>	<u>(274,978)</u>	<u>13,022</u>
Net change in fund balance	-	-	(25,022)	(25,022)
Fund balance, beginning	<u>805,473</u>	<u>805,473</u>	<u>805,473</u>	<u>-</u>
Fund balance, ending	<u>\$ 805,473</u>	<u>\$ 805,473</u>	<u>\$ 780,451</u>	<u>\$ (25,022)</u>

CITY OF KAPLAN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

At June 30, 2016, the General Fund reported excess expenditures over appropriations.

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability  
Municipal Employees' Retirement System - Plan B  
For the Year Ended June 30, 2016\*

<u>Year ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	1.322423%	\$ 620,873	\$ 935,008	66.4%	76.94%
2016	1.358310%	\$ 923,171	\$ 957,477	96.4%	68.71%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions  
Municipal Employees' Retirement System - Plan B  
For the Year Ended June 30, 2016

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability  
 Firefighters' Retirement Sysyem  
 For the Year Ended June 30, 2016\*

<u>Year ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.072949%	\$ 324,617	\$ 163,526	198.5%	76.02%
2016	0.079951%	\$ 431,505	\$ 167,637	257.4%	72.45%

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Employer Contributions  
 Firefighters' Retirement System  
 For the Year Ended June 30, 2016

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

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

**OTHER SUPPLEMENTARY INFORMATION**



**OTHER FINANCIAL INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

## **NONMAJOR SPECIAL REVENUE FUNDS**

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

### **Fire Protection Fund -**

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

### **Police Special Fund -**

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

### **Capital Projects Fund**

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

## **NONMAJOR DEBT SERVICE FUNDS**

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

### **General Obligation Bonds Series 2005 and 2015**

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

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2016

	Special Revenue		Debt Service	Capital Projects Fund	Totals
	Fire Protection Fund	Police Special Fund	General Obligation Bonds Fund		
ASSETS					
Cash and interest -bearing deposits	\$ 40,465	\$ 30,235	\$ 163,207	\$ 100	\$ 234,007
Due from other governmental entities	-	59	-	-	59
Due from other funds	3,244	-	-	-	3,244
Accrued interest receivable	87	-	10	-	97
Total assets	<u>\$ 43,796</u>	<u>\$ 30,294</u>	<u>\$ 163,217</u>	<u>\$ 100</u>	<u>\$ 237,407</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,079	\$ -	\$ -	\$ -	\$ 1,079
Due to other funds	-	500	-	100	600
Total liabilities	1,079	500	-	100	1,679
Fund balances:					
Restricted	-	-	163,217	-	163,217
Assigned	42,717	29,794	-	-	72,511
Total fund balances	<u>42,717</u>	<u>29,794</u>	<u>163,217</u>	<u>-</u>	<u>235,728</u>
Total liabilities and fund balances	<u>\$ 43,796</u>	<u>\$ 30,294</u>	<u>\$ 163,217</u>	<u>\$ 100</u>	<u>\$ 237,407</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2016

	Special Revenue		Debt Service		Totals
	Fire Protection Fund	Police Special Fund	General Obligation Bonds Fund	Capital Projects Fund	
Revenues:					
Taxes	\$ -	\$ -	\$ 110,884	\$ -	\$ 110,884
Intergovernmental	99,910	-	-	-	99,910
Fines and forfeits	-	2,859	-	-	2,859
Interest income	-	-	49	-	49
Miscellaneous	488	-	-	-	488
Total revenues	<u>100,398</u>	<u>2,859</u>	<u>110,933</u>	<u>-</u>	<u>214,190</u>
Expenditures:					
General government	-	-	32	-	32
Public safety -					
Fire	70,495	-	-	-	70,495
Debt service -					
Principal retirement	-	-	95,000	-	95,000
Interest and fiscal charges	-	-	33,008	-	33,008
Total expenditures	<u>70,495</u>	<u>-</u>	<u>128,040</u>	<u>-</u>	<u>198,535</u>
Excess (deficiency) of revenues over expenditures	29,903	2,859	(17,107)	-	15,655
Fund balances, beginning	<u>12,814</u>	<u>26,935</u>	<u>180,324</u>	<u>-</u>	<u>220,073</u>
Fund balances, ending	<u>\$ 42,717</u>	<u>\$ 29,794</u>	<u>\$ 163,217</u>	<u>\$ -</u>	<u>\$ 235,728</u>

Enterprise Fund  
Utility Fund

Schedule of Number of Utility Customers and Rates  
June 30, 2016 and 2015

Records maintained by the City indicated the following number of customers were being serviced during the month of June 30, 2016 and 2015.

Department	2016	2015
Electric (metered)	2,413	2,414
Gas (metered)	1,653	1,663
Water (metered)	2,402	2,421
Sewerage	2,197	2,210

The monthly water rates of the City are as follows:

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

The monthly sewer rates of the City are as follows:

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

CITY OF KAPLAN, LOUISIANA  
Enterprise Fund  
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses  
Years Ended June 30, 2016 and 2015

	Electricity		Gas		Water		Sewerage		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating revenues:										
Customers service charges	<u>\$ 4,985,011</u>	<u>\$4,912,092</u>	<u>\$ 470,712</u>	<u>\$ 656,550</u>	<u>\$ 472,158</u>	<u>\$474,809</u>	<u>\$ 479,940</u>	<u>\$ 483,884</u>	<u>\$6,407,821</u>	<u>\$6,527,335</u>
Operating expenses:										
Salaries	196,049	200,231	126,170	128,484	119,714	109,033	87,451	85,930	529,384	523,678
Benefit payments:										
Payroll taxes	14,753	17,617	8,857	9,459	8,902	8,112	6,400	6,350	38,912	41,538
Retirement	5,284	12,542	3,827	6,690	2,655	5,151	2,397	2,637	14,163	27,020
Insurance - Employees	35,265	32,733	24,335	26,938	20,942	17,545	22,149	20,445	102,691	97,661
Insurance	51,224	47,408	33,138	32,988	27,776	22,773	21,026	25,833	133,164	129,002
Electricity and gas purchased	2,952,683	2,765,635	199,972	301,173	-	-	-	-	3,152,655	3,066,808
Operating supplies	5,290	7,562	7,373	11,972	39,500	51,384	13,745	22,966	65,908	93,884
Office supplies and expenses	11,144	27,065	1,769	2,188	1,612	1,576	2,028	642	16,553	31,471
Professional fees	103	-	740	4,830	1,866	3,806	4,899	1,347	7,608	9,983
Repairs and maintenance	94,609	75,804	59,359	59,276	36,585	56,808	58,407	25,261	248,960	217,149
Telephone and utilities	2,536	2,889	679	603	86,581	84,660	62,202	60,734	151,998	148,886
Bad debt expense	15,332	10,119	594	590	1,127	838	1,154	852	18,207	12,399
Depreciation	54,134	58,981	63,678	62,116	137,794	135,376	336,063	307,898	591,669	564,371
Miscellaneous	30,610	(386)	8,056	10,090	7,184	5,400	7,952	6,791	53,802	21,895
Total operating expenses	<u>3,469,016</u>	<u>3,258,200</u>	<u>538,547</u>	<u>657,397</u>	<u>492,238</u>	<u>502,462</u>	<u>625,873</u>	<u>567,686</u>	<u>5,125,674</u>	<u>4,985,745</u>
Net operating income (loss)	<u>\$ 1,515,995</u>	<u>\$1,653,892</u>	<u>\$ (67,835)</u>	<u>\$ (847)</u>	<u>\$ (20,080)</u>	<u>\$ (27,653)</u>	<u>\$(145,933)</u>	<u>\$ (83,802)</u>	<u>\$1,282,147</u>	<u>\$1,541,590</u>

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**



# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## OFFICES

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated November 17, 2016.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2016-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2016-001 through 2016-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2016-005.

### **City of Kaplan, Louisiana's Response to Findings**

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

### **Purpose of this Report**

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

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

Abbeville, Louisiana  
November 17, 2016

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan  
Year Ended June 30, 2016

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

A. Internal Control Over Financial Reporting

2016-001 Inadequate Segregation of Accounting Functions

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

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

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

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.07 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

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

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

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

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

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

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

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

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

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

2016-003 Policies and procedures for utility bills

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

CRITERIA: Written policies and procedures are necessary to provide a clear understanding of when adjustments should be made to a utility bill (preferably only when extenuating circumstances arise), the level of approval to be required for an adjustment to be made, when to issue disconnect notices, and when to disconnect a service. Policies and procedures should be followed consistently for all accounts, including elected officials and employees.

CAUSE: The City of Kaplan has not properly documented policies and procedures that should be followed regarding delinquent utility billings and the procedures which are being applied are not being consistently applied to all accounts.

EFFECT: Failure to have written policies and procedures increases the risk of not having continuity of operations and the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: As of the date of the audit report, the Policy and Procedure Manual has been amended to address delinquent accounts and when adjustments to utility bills should be made.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

2016-004 Inadequate controls over Cash Management

CONDITION: Several years ago, the Kaplan Police Department opened a bank account, under the name of Kaplan Police Recreation using the City's federal tax Id number. The clerk, mayor and council were not aware of the existence of the account. Therefore, none of the transactions from the account were being managed, reconciled, or audited with the City's financial statements. During examination of activity in the account, it was noted that there was inadequate controls over cash and lack of supporting documentation. The Louisiana Legislative Auditor has issued an investigative report on the mentioned findings. A copy of the investigative report can be obtained at [www.la.la.gov](http://www.la.la.gov).

CRITERIA: SAS 115, Communicating Internal Control Related Matters Identified in an Audit, AU§325.05, states, in part:

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

A deficiency in design exists when:

- A control necessary to meet the control objectives is missing, or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

In addition, R.S 33:425 states:

“... the Clerk shall be the auditor of the municipality. He shall keep a book in which he shall enter and preserve accounts of each particular fund, and the account of each municipal officer.”

There should be sufficient support for all receipts and disbursements in order to substantiate deposits and to substantiate the legal obligation, the public purpose, and the public benefit of the expenditures.

CAUSE: The cause of the condition is the lack of internal controls over cash.

EFFECT: Failure to have adequate controls over cash could result in misappropriation of cash.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Kirk Champagne, Mayor has noted that the bank account for the Kaplan Police Department has been closed and all transactions are now being recorded in the books of the City. In addition, management's responses to the Louisiana Legislative Auditor findings can be found in the investigative report at [www.lla.la.gov](http://www.lla.la.gov).

B. Compliance

2016-005 Budget noncompliance

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

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

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

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

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.”

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: The General Fund was amended with only an estimate of the accrued expenses available. The City of Kaplan made every attempt to include all accrual items in the budget, but due to delays in a Street project, invoices were not received by the amendment deadline.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2015-001 Inadequate Segregation of Functions

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

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

CURRENT STATUS: Unresolved. See item 2016-001.

2015-002 Application of Generally Accepted Accounting Principles (GAAP)

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



CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2016

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

CURRENT STATUS: Unresolved. See item 2016-002.

2015-003 Policies and procedures for utility bills

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

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

CURRENT STATUS: Unresolved. See item 2016-003.

2015-004 Inadequate controls over Cash Management

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

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

CURRENT STATUS: Unresolved. See item 2016-004.