

THE TOWN OF KENTWOOD

Annual Financial Statements

As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 24 2013



TOWN OF KENTWOOD, LOUISIANA

Annual Financial Statements

**As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules**

**Town of Kentwood
Annual Financial Statements
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TABLE OF CONTENTS

	Statement	Page
Independent Auditor's Report		5
Required Supplemental Information (Part I)		
Management's Discussion and Analysis		9
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	A	19
Statement of Activities	B	20
Fund Financial Statements		
Governmental Funds Financial Statements		
Balance Sheet, Governmental Funds	C	23
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Financial Statement of Net Position	D	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Net Position	H	28
Statement of Cash Flows	I	29
Notes to the Financial Statements		32

**Town of Kentwood
Annual Financial Statements
As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules**

TABLE OF CONTENTS CONTINUED

	Schedule	Page
Required Supplemental Information (Part II)		
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual General Fund - Summary	1	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual General Fund - Detail	2	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual Special Revenue Fund - Kentwood Volunteer Fire Department	3	66
Schedule of Funding Progress for the Retiree Health Plan	4	67
Other Supplemental Schedules		
Proprietary Fund Type - Utility Fund		
Schedules of Net Position	5	69
Schedules of Revenues, Expenses and Changes in Net Position	6	70
Schedules of Cash Flows	7	71
Combining Schedule of Net Position	8	73
Combining Schedule of Revenues, Expenses and Changes in Net Position	9	74
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Gas Utility System	10	75
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Water Utility System	11	76
Schedule of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual – Sewer Utility System	12	77
Schedule of Sewer Rates	13	78
Schedule of Number of Sewer, Water, and Gas Customers	14	78
Schedules of Gas Sales and Purchases	15	79
Schedule of Insurance	16	80
Schedule of Compensation Paid to Board Members	17	81

Town of Kentwood
Annual Financial Statements
As of and for the Year Ended December 31, 2012
With Supplemental Information Schedules

TABLE OF CONTENTS CONTINUED

Financial Data Schedules Required by the US Department of Housing and Urban Development		
Financial Data Schedule for PHA LA206 Housing Choice Voucher Program	18	83
Financial Data Schedule for PHA LA206 Disaster Voucher Program	19	87
Schedule of Expenditures of Federal Awards	20	91
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		92
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-33		94
Schedule of Findings and Questioned Costs		97
Schedule of Prior Year Findings and Questioned Costs		105



Independent Auditor's Report

**The Honorable Mayor Harold J Smith
and Members of the Board of Alderman
Town of Kentwood, Louisiana**

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kentwood, Louisiana (the "Town"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2012, 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

Emphasis of Matter

As described in Note 1 to the financial statements, in 2012, the Town adopted new accounting guidance, GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and, GASB Statement No 65, *Items Previously reported as Assets and Liabilities*. My opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 17, budgetary comparison information on pages 61 through 66, and the information presented in the Schedule of Funding Progress for the Retiree Health Plan on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed as Other Supplemental Schedules in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying schedules listed as Financial Data Schedules Required by the US Department of Housing and Urban Development in the Table of Contents are presented for the purpose of additional analysis as required by the US Department of Housing and Urban Development, and are also not a required part of the basic financial statements.

The information in the Other Supplemental Schedules for the year ending December 31, 2012, the Schedule of Expenditures of Federal Awards, and the Financial Data Schedules Required by the US Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards.

generally accepted in the United States of America. In my opinion, the information in the Other Supplemental Schedules for the year ending December 31, 2012, the Schedule of Expenditures of Federal Awards, and the Financial Data Schedules Required by the US Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

I have previously audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements for the year ended December 31, 2011, which are not presented with the accompanying financial statements, and I expressed unmodified opinions on the respective financial statements of governmental activities, the business-type activities, each major and nonmajor fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information in the accompanying Other Supplemental Schedules related to the 2011 financial statements is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information in the accompanying Other Supplemental Schedules related to the 2011 financial statements is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 28, 2013, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Sincerely,

BRANDY WESTCOTT, LLC



Brandy Westcott Garcia, CPA
Member

June 28, 2013

Required Supplemental Information (Part I)
Management's Discussion and Analysis

Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012

Introduction

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

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

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements on pages 19 through 30 of this report

Financial Highlights

- At December 31, 2012, the Town's assets exceeded its liabilities by \$7,429,063 (net position). Of this amount, \$2,964,063 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens
- For the year ended December 31, 2012, the Town's total net position increased by \$430,447
- At December 31, 2012, the Town's governmental funds reported combined ending fund balances of \$2,890,575, an increase of \$282,684 for the year. Of this amount, \$990,331 or thirty-four percent is available for spending at the Town's discretion (unassigned fund balances)
- At December 31, 2012, the Town's proprietary funds reported combined ending net position of \$2,975,595, a decrease of \$204,235 for the year. Of this amount, approximately seventeen percent, or \$500,823, is available for spending at the Town's discretion (unrestricted net position)
- For the year ended December 31, 2012, the Town's total long term debt for the proprietary fund decreased by \$19,779, due to revenue bond principal payments

Overview of the Annual Financial Report

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

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

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

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

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

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

Notes to the Financial Statements

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

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

Government-Wide Financial Analysis

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

	Net Position 2012 and 2011					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets		(Restated)		(Restated)		(Restated)
Current and Other Assets	\$ 3,090,292	\$ 2,794,764	\$ 934,764	\$ 959,997	\$ 4,025,056	\$ 3,754,761
Capital Assets	1,664,350	1,341,309	2,981,304	3,209,192	4,645,654	4,550,501
Total Assets	<u>4,754,642</u>	<u>4,136,073</u>	<u>3,916,068</u>	<u>4,169,189</u>	<u>8,670,710</u>	<u>8,305,262</u>
Liabilities						
Long-Term Debt Outstanding	101,457	130,414	690,197	702,605	791,654	833,019
Other Liabilities	199,717	186,872	250,276	286,754	449,993	473,626
Total Liabilities	<u>301,174</u>	<u>317,286</u>	<u>940,473</u>	<u>989,359</u>	<u>1,241,647</u>	<u>1,306,645</u>
Net Position						
Net Investment in Capital Assets	1,664,350	1,341,309	2,324,051	2,532,160	3,988,401	3,873,469
Restricted	325,540	325,000	150,721	127,980	476,261	452,980
Unrestricted	2,463,578	2,152,478	500,823	519,690	2,964,401	2,672,168
Total Net Position	<u>\$ 4,453,468</u>	<u>\$ 3,818,787</u>	<u>\$ 2,975,595</u>	<u>\$ 3,179,830</u>	<u>\$ 7,429,063</u>	<u>\$ 6,998,617</u>

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

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

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

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for separate governmental and business-type activities. The same held true for the prior fiscal year.

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

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

**Changes in Net Position
For the years ended December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues		(Restated)		(Restated)		(Restated)
Program Revenues						
Charges for Services	\$ 286,050	\$ 274,707	\$ 1,539,905	\$ 1,630,405	\$ 1,825,955	\$ 1,905,112
Operating Grants and Contributions	579,773	572,420	-	-	579,773	572,420
Capital Grants and Contributions	417,541	193,898	-	11,400	417,541	205,298
General Revenues						
Taxes	1,000,701	1,007,465	-	-	1,000,701	1,007,465
Interest Income	2,061	5,142	1,021	762	3,082	5,904
Donations	-	55,002	-	-	-	55,002
Miscellaneous	6,800	13,832	5,357	500	12,157	14,332
On Behalf Payments	40,700	32,027	-	-	40,700	32,027
Gain (Loss) on Sale of Assets	98,306	-	-	-	98,306	-
Total Revenues	<u>2,431,932</u>	<u>2,154,493</u>	<u>1,546,283</u>	<u>1,643,067</u>	<u>3,978,215</u>	<u>3,797,560</u>
Expenses						
General Government	567,140	726,422	-	-	567,140	726,422
Public Safety - Police Protection	464,159	390,490	-	-	464,159	390,490
Public Safety - Fire Protection	468,497	442,203	-	-	468,497	442,203
Public Works - Streets and Sanitation	451,848	473,490	-	-	451,848	473,490
Health and Welfare	6,594	6,615	-	-	6,594	6,615
Recreation	17,282	13,370	-	-	17,282	13,370
Economic Development	98,339	-	-	-	98,339	-
Water, Gas, and Sewer Utility	-	-	1,117,949	1,130,282	1,117,949	1,130,282
Housing Assistance	-	-	310,329	336,489	310,329	336,489
Total Expenses	<u>2,073,859</u>	<u>2,052,590</u>	<u>1,428,278</u>	<u>1,466,771</u>	<u>3,502,137</u>	<u>3,519,361</u>
Change in Net Position Before Transfers	358,073	101,903	118,005	176,296	476,078	278,199
Transfers (Out) In	276,609	329,388	(322,240)	(471,207)	(45,631)	(141,819)
Change in Net Position	634,682	431,291	(204,235)	(294,911)	430,447	136,380
Net Position, Beginning	3,828,234	3,364,973	3,185,374	3,489,057	7,013,608	6,854,030
Prior Period Adjustment	(9,448)	22,523	(5,544)	(14,316)	(14,992)	8,207
Net Position, Ending	<u>\$ 4,453,468</u>	<u>\$ 3,818,787</u>	<u>\$ 2,975,595</u>	<u>\$ 3,179,830</u>	<u>\$ 7,429,063</u>	<u>\$ 6,998,617</u>

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

Governmental Activities

The Town's governmental net position increased by \$634,682 or sixteen percent of the prior year ending net position to \$4,453,468. The increase in net position for 2012 was \$358,073 when comparing the change in net position before transfers of \$101,903 in 2011.

Sales taxes increased \$63,000 in 2012. Gaming taxes decline approximately fifty three percent due to a change in the tax rate for a \$56,000 reduction in 2012 after a \$47,000 reduction in 2011. The Recreation capital grant revenue received was increased from \$21,451 to \$404,571 in 2012. Police Protection expenditures increased twenty percent to \$461,975, which included \$26,100 in capital assets. General Government expenditures decreased \$151,372 due to allocating health insurance and workers' compensation expenses to the correct departments during 2012. Public Works expenditures decreased \$21,642.

Business-Type Activities

The business-type activities recorded a decrease in net position of \$204,235 as compared to the 2011 decrease in net position of \$294,911. The nonoperational decline in net position was caused by \$322,240 of transfers out of the Utility Fund into the General Fund. Net position before transfers increased by \$118,005 in 2012 as compared to \$176,296 in 2011. Total operating expenses decreased \$12,333 or one percent for a total of approximately \$1.1 million. Utility charges for services decreased approximately \$90,500 or six percent in 2012. Utility rates did not change in 2012 (except industrial gas rates which fluctuate regularly). Housing assistance costs decreased \$26,160 or about six percent for 2012.

Fund Financial Analysis

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

Governmental Funds

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$2,890,575, \$1,459,231 of which is assigned for the volunteer fire department, \$62,513 is assigned for LHFA economic development and \$325,540 is restricted for capital projects. An amount of \$990,331 is unassigned and available for spending at the Town's discretion. An amount of \$52,960 is in prepaid assets and is unspendable.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$1,347,270. The General Fund had \$990,331 unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund unassigned fund balance represents seventy-eight percent of total fund expenditures.

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

Proprietary Funds

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

General Fund Budgetary Highlights

Total revenues and other sources for the Town of Kentwood were below budgeted revenues and other sources by twenty-nine percent for the fiscal year ending December 31, 2012. This was due to a capital grant which was budgeted and not received in the general fund, but recorded in the Park Project capital project fund. Therefore the grant is not in revenues and the capital outlay is not in expenditures creating a compensating positive variance in expenditures.

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$4,645,654 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$95,152 (net of depreciation).

The major capital asset event during the current year was the completion of the construction of rehab house project totaling \$112,165 from prior and current periods. However, a logging truck hit the rehab house, totally it, and the Town received insurance reimbursement totaling \$180,535.

Two police cars were purchased at a total cost of \$26,100. The Town received a grant in the amount of \$12,000 for the purchase of police cars. A new roof for the City Hall was added at \$39,600.

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

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

**Capital Assets (Net of Depreciation)
2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Capital Assets						
Land	\$ 619,126	\$ 592,419	\$ 21,100	\$ 21,100	\$ 640,226	\$ 613,519
Construction in Progress	485,941	182,866	-	-	485,941	182,866
Buildings and Improvements	1,235,473	1,188,966	46,639	46,639	1,282,112	1,235,605
Machinery and Equipment	838,593	809,344	186,482	178,976	1,025,075	988,320
Infrastructure	43,853	43,853	-	-	43,853	43,853
Gas Utility System	-	-	801,615	801,615	801,615	801,615
Water Utility System	-	-	2,404,201	2,404,201	2,404,201	2,404,201
Sewer Utility System	-	-	4,641,996	4,641,996	4,641,996	4,641,996
Subtotal Capital Assets	<u>3,222,986</u>	<u>2,817,448</u>	<u>8,102,033</u>	<u>8,094,527</u>	<u>11,325,019</u>	<u>10,911,975</u>
Less Accumulated Depreciation	<u>(1,558,636)</u>	<u>(1,476,139)</u>	<u>(5,120,729)</u>	<u>(4,885,335)</u>	<u>(6,679,365)</u>	<u>(6,361,474)</u>
Capital Assets, Net	<u>\$ 1,664,350</u>	<u>\$ 1,341,309</u>	<u>\$ 2,981,304</u>	<u>\$ 3,209,192</u>	<u>\$ 4,645,654</u>	<u>\$ 4,550,501</u>

Long-Term Debt

At December 31, 2012, the Town had total long term debt outstanding from bonds payable of \$657,253. Of this total, \$20,789 is due within one year and \$636,464 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 13 to the financial statements in this report.

**Outstanding Debt
2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue Bonds	\$ -	\$ -	\$ 657,253	\$ 677,032	\$ 657,253	\$ 677,032
Total Outstanding Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,253</u>	<u>\$ 677,032</u>	<u>\$ 657,253</u>	<u>\$ 677,032</u>

**Town of Kentwood
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2012**

Other Factors Affecting the Town

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

Contacting the Town's Financial Management

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

Basic Financial Statements
Government-Wide Financial Statements

Town of Kentwood
Statement of Net Position
As of December 31, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,768,172	\$ 495,512	\$ 2,263,684
Investments	232,820	-	232,820
Receivables, Net			-
Accounts	-	155,578	155,578
Intergovernmental	643,848	182	644,030
Taxes	45,139	-	45,139
Due From Other Funds	9,935	2,893	12,828
Prepaid Insurance	52,960	-	52,960
Total Current Assets	2,752,874	654,165	3,407,039
Restricted Assets			
Restricted Cash and Cash Equivalents	337,418	280,599	618,017
Total Restricted Assets	337,418	280,599	618,017
Capital Assets			
Land	619,126	21,100	640,226
Construction in Progress	485,941	-	485,941
Capital Assets, Net	559,283	2,960,204	3,519,487
Total Capital Assets	1,664,350	2,981,304	4,645,654
Total Assets	4,754,642	3,916,068	8,670,710
Liabilities			
Current Liabilities			
Accounts Payable	51,090	59,402	110,492
Other Accrued Payables	148,627	27,379	176,006
Due To Other Funds	-	12,828	12,828
Customer Deposits	-	129,878	129,878
Bonds Payable	-	20,789	20,789
Total Current Liabilities	199,717	250,276	449,993
Long Term Liabilities			
Bonds Payable	-	636,464	636,464
Other Post Employment Benefit Obligation	13,531	4,780	18,311
Accrued Sick Leave Convertible to Retirement	87,926	48,953	136,879
Total Long Term Liabilities	101,457	690,197	791,654
Total Liabilities	301,174	940,473	1,241,647
Net Position			
Net Investment in Capital Assets	1,664,350	2,324,051	3,988,401
Restricted for			-
Capital Projects and Debt Service	325,540	114,906	440,446
Housing Activities	-	35,815	35,815
Unrestricted	2,463,578	500,823	2,964,401
Total Net Position	\$ 4,453,468	\$ 2,975,595	\$ 7,429,063

The accompanying notes are an integral part of this statement

**Town of Kentwood
Statement of Activities
For the year ended December 31, 2012**

Statement B

	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
General Government	\$ 567,140	\$ 184,047	\$ -	\$ 12,971
Public Safety - Police Protection	464,159	11,318	-	-
Public Safety - Fire Protection	468,497	-	579,773	-
Public Works - Streets and Sanitation	451,848	78,860	-	-
Health and Welfare	6,594	-	-	-
Recreation	17,282	-	-	404,570
Economic Development	98,339	11,825	-	-
Total Governmental Activities	\$ 2,073,859	\$ 286,050	\$ 579,773	\$ 417,541
Business-type Activities				
Gas	\$ 446,905	\$ 462,068	\$ -	\$ -
Water	394,064	459,483	-	-
Sewer	276,980	318,509	-	-
Housing Assistance	310,329	299,845	-	-
Total Business-type Activities	\$ 1,428,278	\$ 1,539,905	\$ -	\$ -

General Revenues:

 Taxes

 Property Taxes

 Sales Taxes

 Franchise Taxes

 Gaming

 Other

 Interest Income

 Donated Capital Assets

 Miscellaneous

 On Behalf Payments - State Supplemental Pay for Police

 Operating Transfers In (Out) to Town Funds

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

 Gain on Sale of Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

 Prior Period Adjustments (Note 24)

Net Position - Beginning (Restated)

Net Position - Ending

The accompanying notes are an integral part of this statement

Statement B

Net (Expenses) Revenues and Changes of Primary Government			
Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
\$ (370,122)	\$ (370,122)	\$ -	\$ (370,122)
(452,841)	(452,841)	-	(452,841)
111,276	111,276	-	111,276
(372,988)	(372,988)	-	(372,988)
(6,594)	(6,594)	-	(6,594)
387,288	387,288	-	387,288
(86,514)	(86,514)	-	(86,514)
<u>\$ (790,495)</u>	<u>(790,495)</u>	<u>-</u>	<u>(790,495)</u>
\$ 15,163	-	15,163	15,163
65,419	-	65,419	65,419
41,529	-	41,529	41,529
(10,484)	-	(10,484)	(10,484)
<u>\$ 111,627</u>	<u>-</u>	<u>111,627</u>	<u>111,627</u>
	85,528	-	85,528
	814,435	-	814,435
	41,681	-	41,681
	51,823	-	51,823
	7,234	-	7,234
	2,061	1,021	3,082
	-	-	-
	6,800	5,357	12,157
	40,700	-	40,700
	322,240	(322,240)	-
	(45,631)	-	(45,631)
	98,306	-	98,306
	<u>1,425,177</u>	<u>(315,862)</u>	<u>1,109,315</u>
	<u>634,682</u>	<u>(204,235)</u>	<u>430,447</u>
	3,828,234	3,185,374	7,013,608
	(9,448)	(5,544)	(14,992)
	<u>3,818,786</u>	<u>3,179,830</u>	<u>6,998,616</u>
<u>\$ 4,453,468</u>	<u>\$ 2,975,595</u>	<u>\$ 7,429,063</u>	

The accompanying notes are an integral part of this statement

Basic Financial Statements
Fund Financial Statements

Town of Kentwood
Balance Sheet, Governmental Funds
As of December 31, 2012

	General Fund	Volunteer Fire Department	Capital Project Fund for Park	Capital Project Fund for LHFA	LHFA Special Revenue Fund	Total Governmental Funds
Assets						
Cash and Equivalents	\$ 842,228	\$ 1,102,387	\$ -	\$ -	\$ 160,975	\$ 2,105,590
Investments	-	232,820	-	-	-	232,820
Receivables, Net.						-
Intergovernmental	70,415	192,478	380,955	-	-	643,848
Ad Valorem Taxes	28,644	-	-	-	-	28,644
Franchise Taxes	11,786	-	-	-	-	11,786
Gaming	4,709	-	-	-	-	4,709
Other	-	-	-	-	-	-
Due From Other Funds	484,932	531	-	-	-	485,463
Prepaid Insurance	31,399	19,509	-	-	2,052	52,960
Total Assets	\$ 1,474,113	\$ 1,547,725	\$ 380,955	\$ -	\$ 163,027	\$ 3,565,820
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 48,974	\$ 2,116	\$ -	\$ -	-	\$ 51,090
Other Accrued Liabilities	74,445	18,344	54,038	-	1,800	148,627
Due to Other Funds	3,424	48,525	326,917	-	96,662	475,528
Total Liabilities	126,843	68,985	380,955	-	98,462	675,245
Fund Balances						
Nonspendable	31,399	19,509	-	-	2,052	52,960
Restricted	325,540	-	-	-	-	325,540
Assigned	-	1,459,231	-	-	62,513	1,521,744
Unassigned	990,331	-	-	-	-	990,331
Total Fund Balances	1,347,270	1,478,740	-	-	64,565	2,890,575
Total Liabilities and Fund Balances	\$ 1,474,113	\$ 1,547,725	\$ 380,955	\$ -	\$ 163,027	\$ 3,565,820

The accompanying notes are an integral part of this statement

Town of Kentwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2012

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

Fund Balances, Total Governmental Funds (Statement C)	\$	2,890,575
<p>Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds</p>		
Governmental capital assets net of depreciation		1,664,350
<p>Long-term liabilities for sick leave convertible to benefits upon retirement and the unfunded post employment health insurance liability is not due and payable in the current period and, therefore, not reported in the governmental funds</p>		
Accrued Sick Leave Convertible to Retirement		(87,926)
Unfunded Net Other Post Employment Benefits Obligation for Health Insurance		(13,531)
Net Position of Governmental Activities (Statement A)	\$	<u>4,453,468</u>

The accompanying notes are an integral part of this statement

Town of Kentwood
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2012

	General Fund	Volunteer Fire Department	Capital Project Fund for Park	Capital Project Fund LHFA	LHFA Special Revenue Fund	Total Governmental Funds
Revenues						
Taxes	\$ 1,000,701	\$ -	\$ -	\$ -	\$ -	\$ 1,000,701
Licenses and Permits	159,295	-	-	-	-	159,295
Intergovernmental	21,130	571,524	404,570	-	-	997,224
Charges for Services	10,782	-	-	-	11,825	22,607
Fines and Forfeitures	11,318	-	-	-	-	11,318
Sanitation Fees	78,860	-	-	-	-	78,860
Interest	1,623	385	-	-	53	2,061
Donations	791	-	-	-	-	791
On Behalf Payments - Supplemental Pay	40,700	-	-	-	-	40,700
Miscellaneous	19,979	90	-	-	-	20,069
Total Revenues	<u>1,345,179</u>	<u>571,999</u>	<u>404,570</u>	<u>-</u>	<u>11,878</u>	<u>2,333,626</u>
Expenditures						
General Government	571,224	-	-	-	-	571,224
Public Safety						
Police	435,875	-	-	-	-	435,875
Fire	165,186	300,507	-	-	-	465,693
Public Works	433,492	-	-	-	-	433,492
Health and Welfare	6,594	-	-	-	-	6,594
Recreation	17,282	-	-	-	-	17,282
Economic Development	-	-	-	-	3,236	3,236
Capital Outlays	71,618	45,631	404,570	11,808	-	533,627
Total Expenditures	<u>1,701,271</u>	<u>346,138</u>	<u>404,570</u>	<u>11,808</u>	<u>3,236</u>	<u>2,467,023</u>
Excess (Deficiency) of Revenues Over (Under) (Expenditures)	<u>(356,092)</u>	<u>225,861</u>	<u>-</u>	<u>(11,808)</u>	<u>8,642</u>	<u>(133,397)</u>
Other Financing Sources (Uses)						
Operating Transfers In	338,240	-	-	-	55,923	394,163
Operating Transfers (Out)	(16,000)	-	-	(55,923)	-	(71,923)
Proceeds from Insurance Settlement	-	-	-	180,535	-	180,535
Other Nonoperating Expenditures	-	-	-	(86,694)	-	(86,694)
Total Other Financing Sources (Uses)	<u>322,240</u>	<u>-</u>	<u>-</u>	<u>37,918</u>	<u>55,923</u>	<u>416,081</u>
Net Change in Fund Balances	<u>(33,852)</u>	<u>225,861</u>	<u>-</u>	<u>26,110</u>	<u>64,565</u>	<u>282,684</u>
Fund Balances, Beginning						
Before Prior Period Adjustments	1,390,570	1,252,879	-	(26,110)	-	2,617,339
Prior Period Adjustments	(9,448)	-	-	-	-	(9,448)
Fund Balances, Beginning After Prior Period Adjustments	<u>1,381,122</u>	<u>1,252,879</u>	<u>-</u>	<u>(26,110)</u>	<u>-</u>	<u>2,607,891</u>
Fund Balances, Ending	<u>\$ 1,347,270</u>	<u>\$ 1,478,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>64,565</u>	<u>\$ 2,890,575</u>

The accompanying notes are an integral part of this statement

**Town of Kentwood
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2012**

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

Net Change in Fund Balances, Total Governmental Funds, Statement E **\$ 282,684**

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

Expenditures for capital assets	\$	533,627	
Donated capital assets		-	
Less			
Assets destroyed		(82,458)	
Decrease in accumulated depreciation		229	
Transfer of capital asset additions to Tangpahoia Fire District Number 2		(45,631)	
Current year depreciation		<u>(82,726)</u>	323,041

Compensated Absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities (This entry records the change in compensated absences) 34,341

Increases in unfunded post-employment benefit obligations for medical insurance expected in future periods are not recorded for governmental funds on the fund basis (5,384)

Change in Net Position of Governmental Activities, Statement B **\$ 634,682**

The accompanying notes are an integral part of this statement

Town of Kentwood
Statement of Net Position - Proprietary Funds
As of December 31, 2012

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 482,008	\$ 13,504	\$ 495,512
Receivables, Net	155,578	-	155,578
Due From State	182	-	182
Due From Other Funds	-	2,893	2,893
Total Current Assets	<u>637,768</u>	<u>16,397</u>	<u>654,165</u>
Restricted Assets			
Restricted Cash and Cash Equivalents	244,784	35,815	280,599
Total Restricted Assets	<u>244,784</u>	<u>35,815</u>	<u>280,599</u>
Property, Plant, and Equipment			
Land	21,100	-	21,100
Property, Plant and Equipment, Net	2,960,204	-	2,960,204
Total Property, Plant, and Equipment	<u>2,981,304</u>	<u>-</u>	<u>2,981,304</u>
Total Assets	<u>3,863,856</u>	<u>52,212</u>	<u>3,916,068</u>
Liabilities			
Current Liabilities (Payable From Current Assets)			
Accounts Payable	59,402	-	59,402
Other Accrued Payables	27,353	-	27,353
Due To Other Funds	8,000	-	8,000
Total Current Liabilities (Payable From Current Assets)	<u>94,755</u>	<u>-</u>	<u>94,755</u>
Current Liabilities (Payable From Restricted Assets)			
Customer Deposits	129,878	-	129,878
Revenue Bonds Payable	20,789	-	20,789
Other Accrued Payables	-	26	26
Due To Other Funds	-	4,828	4,828
Total Current Liabilities (Payable From Restricted Assets)	<u>150,667</u>	<u>4,854</u>	<u>155,521</u>
Long Term Liabilities			
Bonds Payable	636,464	-	636,464
Other Post Employment Benefit Obligation	4,780	-	4,780
Accrued Sick Leave Convertible to Retirement	48,953	-	48,953
Total Long Term Liabilities	<u>690,197</u>	<u>-</u>	<u>690,197</u>
Total Liabilities	<u>935,619</u>	<u>4,854</u>	<u>940,473</u>
Net Position			
Net Investment in Capital Assets	2,324,051	-	2,324,051
Restricted for			-
Capital Projects and Debt Service	114,906	-	114,906
Housing Activities	-	35,815	35,815
Unrestricted	489,280	11,543	500,823
Total Net Position	<u>\$ 2,928,237</u>	<u>\$ 47,358</u>	<u>\$ 2,975,595</u>

The accompanying notes are an integral part of this statement

Town of Kentwood
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the year ended December 31, 2012

	Gas Utility System	Water Utility System	Sewer Utility System	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Operating Revenues						
Gas Sales	\$ 450,831	\$ -	\$ -	\$ 450,831	\$ -	\$ 450,831
Less Cost of Gas Sold	(176,614)	-	-	(176,614)	-	(176,614)
Gross Profit on Gas Sales	274,217	-	-	274,217	-	274,217
Water Sales	-	449,670	-	449,670	-	449,670
Sewer Service Charges	-	-	312,312	312,312	-	312,312
HUD Contributions	-	-	-	-	299,845	299,845
Other	11,237	9,813	6,197	27,247	5,357	32,604
Total Operating Revenues	285,454	459,483	318,509	1,063,446	305,202	1,368,648
Operating Expenses						
Bad Debts	2,980	2,980	2,979	8,939	-	8,939
Cathodic Protection	5,733	-	-	5,733	-	5,733
Depreciation	9,627	73,122	152,645	235,394	-	235,394
Employee Benefits	56,590	28,062	10,384	95,036	11,040	106,076
Housing and Utility Assistance	-	-	-	-	262,822	262,822
Insurance - Workers Compensation	5,663	3,216	694	9,573	161	9,734
Other	18,055	9,781	5,778	33,614	6,575	40,189
Professional Fees	16,371	17,173	4,686	38,230	-	38,230
Repairs and Maintenance	4,728	24,516	22,647	51,891	-	51,891
Salaries and Wages	137,196	63,650	16,911	217,757	29,731	247,488
Supplies	13,348	26,498	2,707	42,553	-	42,553
Utilities	-	45,159	24,229	69,388	-	69,388
Water Treatment	-	99,907	-	99,907	-	99,907
Total Operating Expenses	270,291	394,064	243,660	908,015	310,329	1,218,344
Operating Income (Loss)	15,163	65,419	74,849	155,431	(5,127)	150,304
Nonoperating Revenues (Expenses)						
Interest Income	581	193	247	1,021	-	1,021
Interest Expense	-	-	(33,320)	(33,320)	-	(33,320)
Total Nonoperating Revenues (Expenses)	581	193	(33,073)	(32,299)	-	(32,299)
Income (Loss) Before Contributions and Transfers	15,744	65,612	41,776	123,132	(5,127)	118,005
Contributions and Transfers						
Capital Contributions	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	16,000	16,000
Operating Transfers Out	-	(338,240)	-	(338,240)	-	(338,240)
Change in Net Position	15,744	(272,628)	41,776	(215,108)	10,873	(204,235)
Total Net Position, Beginning				3,143,345	42,029	3,185,374
Prior Period Adjustment (Note 24)				-	(5,544)	(5,544)
Total Adjusted Net Assets, Beginning				3,143,345	36,485	3,179,830
Total Net Position, Ending				\$ 2,928,237	\$ 47,358	\$ 2,975,595

The accompanying notes are an integral part of this statement

Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2012

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities			
Received From Customers	\$ 1,230,990	\$ -	\$ 1,230,990
Received From the Department of Housing and Urban Development	-	299,845	299,845
Received for Meter Deposit Fees	6,568	-	6,568
Other Receipts	45,911	5,357	51,268
Received for (Payments for) Interfund Services	250	156	406
Payments for Operations	(536,654)	(269,532)	(806,186)
Payments to Employees	(307,004)	(40,771)	(347,775)
Net Cash Provided (Used) by Operating Activities	<u>440,061</u>	<u>(4,945)</u>	<u>435,116</u>
Cash Flows From Noncapital Financing Activities			
Transfers From (To) Other Funds	<u>(338,240)</u>	<u>16,000</u>	<u>(322,240)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(338,240)</u>	<u>16,000</u>	<u>(322,240)</u>
Cash Flows From Capital and Related Financing Activities			
(Payments for) Capital Acquisitions	(46,258)	-	(46,258)
Principal Proceeds from (Repayments for) Long Term Debt	(19,779)	-	(19,779)
Interest Payments for Long Term Debt	<u>(33,401)</u>	<u>-</u>	<u>(33,401)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(99,438)</u>	<u>-</u>	<u>(99,438)</u>
Cash Flows From Investing Activities			
Receipt of Interest	<u>1,021</u>	<u>-</u>	<u>1,021</u>
Net Cash Provided (Used) by Investing Activities	<u>1,021</u>	<u>-</u>	<u>1,021</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	3,404	11,055	14,459
Cash and Cash Equivalents, Beginning of Year	723,388	38,264	761,652
Cash and Cash Equivalents, End of Year	<u>\$ 726,792</u>	<u>\$ 49,319</u>	<u>\$ 776,111</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Cash Equivalents, Unrestricted	\$ 482,008	\$ 13,504	\$ 495,512
Cash and Cash Equivalents, Restricted	244,784	35,815	280,599
Total Cash and Cash Equivalents	<u>\$ 726,792</u>	<u>\$ 49,319</u>	<u>\$ 776,111</u>

(Continued)

The accompanying notes are an integral part of this statement

**Town of Kentwood
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2012**

	<u>Utility Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)			
by Operating Activities			
Operating Income (Loss)	\$ 155,431	\$ (5,127)	\$ 150,304
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided			
by Operating Activities			
Depreciation	235,394	-	235,394
(Increase) decrease in Accounts Receivable	18,177	-	18,177
(Increase) decrease in Unbilled Receivable	18,664	-	18,664
(Increase) decrease in Inventory	-	-	-
(Increase) decrease in Due (to) and from Other Funds	250	156	406
Increase (decrease) in Accounts Payable	(4,845)	-	(4,845)
Increase (Decrease) in Compensated Absences	537	-	537
Increase (decrease) in Accrued Expenses	9,885	26	9,911
Increase (decrease) in Customer Deposits	6,568	-	6,568
Net Cash Provided (Used) by Operating Activities	<u>\$ 440,061</u>	<u>\$ (4,945)</u>	<u>\$ 435,116</u>

(Concluded)

The accompanying notes are an integral part of this statement

Basic Financial Statements
Notes to the Financial Statements

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

Introduction

The Town of Kentwood, Louisiana was incorporated in March of 1893 under the provisions of the Lawrason Act. The Town operates under a Mayor/Board of Aldermen form of government, with the Mayor and each of five aldermen elected at large for four-year terms. The Mayor and Aldermen are compensated per diem for each meeting attended, in addition, the Mayor receives a salary. Kentwood is located directly off Interstate I-55 in the northern section of Tangipahoa Parish. The Town's total population is 2,198 as reported by the U.S. Census Bureau, Census 2010. The Town provides police and fire protection, services to maintain and develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. The Town provides water, gas, and sewer utility services to 992 water customers, 463 gas customers, and 854 sewer customers inside and outside of the Town limits. The Town employs 24 full-time employees in addition to the Mayor and Board of Aldermen and several part-time employees.

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

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

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

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote 1 J – Net Position and Fund Equity*. As required by the Governmental Accounting Standards Board (GASB), the Town implemented GASB Statement No. 63 during the year ending December 31, 2012, however, the Town did not have any deferred outflows or deferred inflows of resources at December 31, 2012.

The Town has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the Town is more fully described in *Footnote 1 – Long-Term Obligations*.

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

period Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period All other revenue items are considered to be measurable and available only when cash is received by the government

The Town reports the following governmental funds

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes, other than debt service or capital projects For the year ending December 12, 2012, the Town reported the following special revenue funds (1) Kentwood Fire Department Fund (Major Fund) - account for intergovernmental revenue sources restricted by the fire protection (2) LHFA Fund (Non-major Fund) - account for federal program grant and federal program income restricted by the grantor to program approved expenditures This was the Town's only non-major fund for 2012

The *Capital Projects Funds* account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets For the year ending December 12, 2012, the Town reported the following capital projects funds (1) Park Project Fund (Major Fund) - account for the recreational park construction project (2) LHFA Fund (Major Fund) - account for the LHFA construction project (completed in the current year)

The Town reports the following proprietary funds

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation The government has elected not to follow subsequent private-sector guidance

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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

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

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

C. Deposits and Investments

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

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

D. Receivables and Payables

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

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

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Corporate Purposes	6.40 mills	6.40 mills	None

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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

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

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

E. Inventories and Prepaid Items

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

F. Restricted Assets

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

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed For the current fiscal year, the Town did not incur construction period interest costs

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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

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

H. Compensated Absences

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

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

	<u>Years of Service</u>		
	<u>0 to 1</u>	<u>1+</u>	<u>6+</u>
Vacation Leave - Days Earned per Year	5	10	15
Sick Leave - Days Earned per Year	12	12	12
	<u>17</u>	<u>22</u>	<u>27</u>

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

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

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, were previously deferred and amortized over the life of the bonds using the effective interest method. Bonds payable were reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period occurred under GASB 65. While the Town implemented GASB Statement No. 65, the Town did not have any bond related costs in the year ending December 31, 2012.

J. Net Position and Fund Equity

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

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

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

- **Nonspendable** - These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

- **Committed** - These are amounts that can be used only for specific purposes determined by a formal decision of the Board of Aldermen, which is the highest level of decision making authority for the Town
- **Assigned** - These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned** - These are all other spendable amounts This also includes expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed or assigned to those purposes

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation

L. Extraordinary and Special Items

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

M. Estimates

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

N. Reconciliations of Government-Wide and Fund Financial Statements

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

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices

- 1 The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year
- 2 A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection At the same time, a public hearing is called
- 3 A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing

**Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012**

- 4 After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted
- 5 Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen
- 6 All budgetary appropriations lapse at the end of each fiscal year
- 7 Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) Budgets for enterprise funds are presented on the accrual basis of accounting Other governmental funds are presented on the modified accrual basis of accounting Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The General Fund had an unfavorable revenue variance in excess of five percent due to the Park Project grant budgeted at \$654,854 in the general fund, but accounted and received in a separate capital projects fund The corresponding capital expenditures are also not in the general fund There were no other budget variances that would result in unfavorable variances in violation of the Local Government Budget Act, for the fiscal year ended December 31, 2012

3. Cash and Cash Equivalents

At December 31, 2012, the Town has cash and cash equivalents (book balances) as follows

	December 31, 2012
Cash on Hand	\$ 459
Demand Deposits	1,515,189
Time Deposits	-
Louisiana Asset Management Pool (LAMP)	1,366,053
Total Cash and Cash Equivalents	2,881,701
Certificates of Deposits held in Investments (See Note 4)	232,820
Total Deposits	\$ 3,114,521

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

Custodial credit risk as it relates to cash deposits is the risk that in the event of a bank failure, the government's deposits may not be returned At December 31, 2012, the Town has \$2,031,311 in deposits other than LAMP (collected bank balances), consisting of \$1,798,491 in demand deposits and \$232,820 in certificates of deposits held as investments The demand deposits consist of \$694,768 in demand deposits held in the name of the Town of Kentwood and \$1,103,723 in demand deposits held in the name

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

of the Kentwood Volunteer Fire Department. The demand deposits of \$694,768 are secured from risk by federal deposit insurance of \$250,000 and the remaining \$444,768 is exposed to custodial credit risk because while the amount is secured, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The \$1,103,723 in demand deposits and 232,820 in certificates of deposit are secured from risk by federal deposit insurance of \$250,000 and the remaining \$1,086,543 is exposed to custodial credit risk because while the amount is secured, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

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

4. Investments

Investments are categorized into these three categories of credit risk:

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

In accordance with GASB Codification Section 150.165, the assets held in the Louisiana Asset Management Pool (LAMP), an external investment pool, are not categorized in the three risk categories provided by GASB Codification Section 150.164, because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The investment in LAMP is stated at the value of the pool shares, which is the same as the fair value, and has been categorized as cash equivalents. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The Corporation is governed by a board of directors comprised of the State treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest.

LAMP is subject to the regulator oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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

LAMP is a 2a7 - like investment pool The following facts are relevant for 2a7 like investment pools

- 1 Credit risk LAMP is rated AAAM by Standard and Poor's
- 2 Custodial credit risk LAMP participants' investments in the pool are evidenced by shares of the pool Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form The public entity's investment pool, not the securities that make up the pool, therefore no disclosure is required
- 3 Concentration of credit risk Pooled investments are excluded from the five percent disclosure requirement
- 4 Interest rate risk 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement However, LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days The WAM for LAMP's total investments, as provided by LAMP, is 51 days as of December 31, 2012
- 5 Foreign currency risk Not applicable to 2a7-like pools

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

LAMP, Inc is subject to the regulatory oversight of the state treasurer and the board of directors LAMP is not registered with SEC as an investment company LAMP, Inc , issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc That report may be obtained by writing to LAMP, Inc , 228 St Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267

The only investments held by the Town at December 31, 2012 are the certificates of deposit listed in Note 3 at December 31, 2012 In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices *Interest Rate Risk* The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates

5. Receivables

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

There are no differences between the external governmental fund financial statements receivables and the government wide financial statements at December 31, 2012 Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis Interest and investment earnings are recorded only if paid within 60 days since they would be considered both

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

measurable and available Proprietary fund revenues consist of all revenues earned at year-end and not yet received Utility accounts receivable comprise the majority of proprietary fund receivables Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable

The Governmental Fund receivables at December 31, 2012 consist of the following

Government Receivables	General Fund	Volunteer Fire Department	Capital Project Fund for Park	Capital Project Fund for LHFA	Total Governmental Funds
Taxes					
Ad Valorem	\$ 28,644	\$ -	\$ -	\$ -	\$ 28,644
Public Utility Franchise	11,786	-	-	-	11,786
Gaming	4,709	-	-	-	4,709
Intergovernmental					
Tangipahoa Parish School Board, Sales Tax	68,892	-	-	-	68,892
State of Louisiana, Beer Tax	1,523	-	-	-	1,523
State of Louisiana, Forestry Grant	-	3,414	-	-	3,414
State of Louisiana, Louisiana Housing Finance Agency	-	-	-	-	-
State of Louisiana, Park Project	-	-	380,955	-	380,955
Tangipahoa Parish Council	-	189,064	-	-	189,064
Total Government Receivables	\$ 115,554	\$ 192,478	\$ 380,955	\$ -	\$ 688,987

The Enterprise Fund accounts receivable at December 31, 2012 consists of the following

Accounts Receivable	Year Ended December 31, 2012
Current	\$ 135,592
31 - 60 Days	4,710
61 - 90 Days	1,993
Over 90 Days	4,659
Subtotal	146,954
Less Allowance for Bad Debt	8,715
Accounts Receivables, Net	138,239
Accrued Billings	17,339
Total Accounts Receivable	\$ 155,578

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances reported in the fund financial statements on December 31, 2012

Interfund Balances	<u>Due From</u>	<u>Due To</u>
	<u>Other Funds</u>	<u>Other Funds</u>
General Fund		
Volunteer Fire Department	\$ 48,525	\$ 531
Park	326,917	-
Louisiana Housing Finance Authority (LHFA)	96,662	-
Utility Fund	8,000	-
Housing Assistance Fund	4,828	2,893
Special Revenue Fund		
Volunteer Fire Department		
General Fund	531	48,525
Capital Projects Funds		
Park		
General Fund	-	326,917
Louisiana Housing Finance Authority (LHFA)		
General Fund	-	96,662
Proprietary Funds		
Utility Fund		
General Fund	-	8,000
Housing Assistance Fund		
General Fund	2,893	4,828
Total Interfund Balances	<u>\$ 488,356</u>	<u>\$ 488,356</u>

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

7. Restricted Assets

Total restricted assets for the Town of Kentwood at December 31, 2012 were as follows

	<u>December</u>
	<u>31, 2012</u>
Restricted Cash and Cash Equivalents	
Customer Deposits	\$ 129,975
Bond Reserve Account	53,240
Bond Contingency Account	61,569
Housing Assistance Account	35,815
Economic Development	11,878
Industrial Development	325,540
Total Restricted Assets	<u>\$ 618,017</u>

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

8. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2012 for governmental activities is as follows

Governmental Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 592,419	\$ 26,707	\$ -	\$ 619,126
Construction in Progress	<u>182,866</u>	<u>415,240</u>	<u>(112,165)</u>	<u>485,941</u>
Total Capital Assets Not Being Depreciated	<u>775,285</u>	<u>441,947</u>	<u>(112,165)</u>	<u>1,105,067</u>
Capital Assets Being Depreciated				
Buildings and Improvements	1,188,966	128,965	(82,458)	1,235,473
Vehicles and Equipment	809,344	29,249		838,593
Infrastructure	<u>43,853</u>	<u>-</u>	<u>-</u>	<u>43,853</u>
Total Capital Assets Being Depreciated	<u>2,042,163</u>	<u>158,214</u>	<u>(82,458)</u>	<u>2,117,919</u>
Less Accumulated Depreciation for				
Buildings and Improvements	765,558	28,113	(229)	793,442
Vehicles and Equipment	698,146	52,218	-	750,364
Infrastructure	<u>12,435</u>	<u>2,395</u>	<u>-</u>	<u>14,830</u>
Total Accumulated Depreciation	<u>1,476,139</u>	<u>82,726</u>	<u>(229)</u>	<u>1,558,636</u>
Total Capital Assets Being Depreciated, Net	<u>566,024</u>	<u>75,488</u>	<u>(82,229)</u>	<u>559,283</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,341,309</u>	<u>\$ 517,435</u>	<u>\$ (194,394)</u>	<u>\$ 1,664,350</u>

Depreciation was charged to governmental functions as follows

General Government	\$ 29,120
Public Safety - Police Protection	24,443
Public Safety - Fire Protection	2,804
Public Works - Streets and Sanitation	17,950
Economic Development	<u>8,409</u>
	<u>\$ 82,726</u>

During 2012, capital expenditures in the Volunteer Fire Department Fund of \$45,631 were incurred and the assets subsequently transferred to the Tangipahoa Parish Fire Protection District Number 2. These assets are not capitalized in the governmental activity assets listed above. This amount included land purchased on Louisiana Highway 440, approximately ½ mile east of I-55 just west of the Village of Tangipahoa. A new substation will be constructed on this land. This station will replace the currently condemned station in the Village of Tangipahoa.

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

Capital assets and depreciation activity as of and for the year ended December 31, 2012 for business-type activities is as follows

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 21,100	\$ -	\$ -	\$ 21,100
Total Capital Assets Not Being Depreciated	<u>21,100</u>	<u>-</u>	<u>-</u>	<u>21,100</u>
Capital Assets Being Depreciated				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	178,976	7,506	-	186,482
Gas Utility System	801,615	-	-	801,615
Water Utility System	2,404,201	-	-	2,404,201
Sewer Utility System	4,641,996	-	-	4,641,996
Total Capital Assets Being Depreciated	<u>8,073,427</u>	<u>7,506</u>	<u>-</u>	<u>8,080,933</u>
Less Accumulated Depreciation for				
Buildings and Improvements	46,639	-	-	46,639
Vehicles and Equipment	163,705	7,718	-	171,423
Gas Utility System	666,570	7,281	-	673,851
Water Utility System	1,219,888	70,068	-	1,289,956
Sewer Utility System	2,788,533	150,327	-	2,938,860
Total Accumulated Depreciation	<u>4,885,335</u>	<u>235,394</u>	<u>-</u>	<u>5,120,729</u>
Total Capital Assets Being Depreciated, Net	<u>3,188,092</u>	<u>(227,888)</u>	<u>-</u>	<u>2,960,204</u>
Total Business - Type Activities Capital Assets, Net	\$ <u>3,209,192</u>	\$ <u>(227,888)</u>	\$ <u>-</u>	\$ <u>2,981,304</u>

9. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on December 31, 2012

Interfund Transfers	Transfers In	Transfers Out
General Fund		
Utility Fund	\$ 338,240	\$ -
Housing Assistance Fund	-	16,000
Special Revenue Fund 2		
LHFA Fund		
Capital Projects Fund (LHFA)	55,923	-
Capital Projects Fund		
Louisiana Housing Finance Authority (LHFA)		
LHFA Special Revenue Fund	-	55,923
Proprietary Funds		
Utility Fund		
General Fund	-	338,240
Housing Assistance Fund		
General Fund	16,000	-
Total Interfund Transfers	\$ <u>410,163</u>	\$ <u>410,163</u>

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

The reason for the majority of interfund transfers was to provide for budgeted expenditures of the General Fund

10. Accounts, Salaries, and Other Payables

The Governmental Fund payables at December 31, 2012 are as follows

Governmental Funds Payable	General Fund	Volunteer Fire Department	LHFA Special Revenue Fund	Capital Project Fund for Park	Total Governmental Funds
Accounts	\$ 48,974	\$ 2,116	\$ -	\$ -	\$ 51,090
Accrued Salaries	17,574	4,613	-	-	22,187
Payroll Taxes	6,720	-	-	-	6,720
Compensated Absences	29,278	-	-	-	29,278
Construction Payable	-	-	-	34,807	34,807
Insurance	-	13,731	-	-	13,731
Retainage Payable	-	-	-	19,231	19,231
Other	2,502	-	1,800	-	4,302
Due to Other Governments	14,879	-	-	-	14,879
Retirement	3,492	-	-	-	3,492
Total Government Funds Payable	\$ 123,419	\$ 20,460	\$ 1,800	\$ 54,038	\$ 199,717

The Enterprise Fund payables at December 31, 2012 are as follows

Enterprise Funds Payable	Utility Fund	Housing Assistance Fund	Total Enterprise Funds
Accounts	\$ 59,402	\$ -	\$ 59,402
Due to Other Governments			
State-Unclaimed Property	4,871	-	4,871
HUD	-	26	26
Interest	2,701	-	2,701
Salaries	6,201	-	6,201
Vacation	13,580	-	13,580
Total Enterprise Funds Payable	\$ 86,755	\$ 26	\$ 86,781

11. Short-Term Debt

The Town had no short-term debt outstanding at December 31, 2012, other than the current portion of revenue bonds payable to the U S Rural Utilities Service, Department of Agriculture

12. Leases

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The Town had no material capital or operating lease activity during the year ended December 31, 2012

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

13. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	
Beginning Balance	\$ -	\$ -	\$ -	\$ 677,032	\$ 677,032
Additions	-	-	-	-	-
Deletions	-	-	-	19,779	19,779
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,253</u>	<u>\$ 657,253</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	
Current Portion	\$ -	\$ -	\$ -	\$ 20,789	\$ 20,789
Long-Term Portion	-	-	-	636,464	636,464
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,253</u>	<u>\$ 657,253</u>

Bonds Payable as of December 31, 2012 are as follows

		<u>Bonds Payable End of Year</u>	<u>Due Within One Year</u>
Business Type Fund	\$ 910,000 Sewer Revenue Bonds		
Dated	6/1/1992 due in monthly installments of principal and interest of		
\$	4,432 through 6/1/2032 interest at 5.00%	\$ 657,253	\$ 20,789
This issue is secured by the income and revenues derived from the operation of the Town's Utility System			
		<u>\$ 657,253</u>	<u>\$ 20,789</u>

The annual requirements to amortize all debt outstanding at December 31, 2012, including interest payments of \$368,241 are as follows

<u>Year Ending 12/31/12</u>	<u>Sewer Revenue Bonds \$ 910,000</u>
2013	\$ 53,180
2014	53,180
2015	53,180
2016	53,180
2017	53,180
2018 to 2022	265,902
2023 to 2027	265,902
2028 to 2032	227,790
	<u>\$ 1,025,494</u>

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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

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

Principal payments of \$19,779 and interest payments of \$33,401 were made on the sewer bonds. The gross sewer utility revenue recognized during the current year was \$318,531.

Provisions of the sewer revenue bonds require deposit of funds on a monthly basis for payment of bond sinking fund installments and to provide a reserve for system repairs and enhancements. Requirements and funding of these amounts are as follows:

Each month there will be set aside into a fund called Bond and Interest Sinking (Redemption) Fund a sum equal to one-twelfth (1/12) of the interest due on the next interest payment due and, in addition, a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the sinking funds shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule of \$4,432 per month whereby the Town makes payments directly to its office. This eliminates the need for the Bond and Interest Sinking Fund.

There shall also be set aside into Utility System Revenue Bond Reserve Fund a sum equal to 5% of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. As of December 31, 2012, the Town complied with debt covenants accumulating \$53,240 in this account.

Funds will also be set into a Depreciation and Contingency Fund after completion of the project at the rate of \$250 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. As of December 31, 2012, the Town complied with debt covenants accumulating \$61,569 in this account.

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

15. Retirement Systems

Substantially all employees of the Town of Kentwood are members of the following statewide retirement systems Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana These systems are a cost-sharing, multiple-employer public employee retirement system (PERS), controlled and administered by a separate board of trustees Pertinent information relative to each plan follows

A. Municipal Employee Retirement System of Louisiana (System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected officials are eligible to participate in the System Under Plan B, employees who retire at or after age 60 with at least ten years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service Furthermore, with at least ten years of creditable service, but less than 30 years, an employee may take early retirement benefits commencing at age 60, with the basic benefit reduced three per cent for each year retirement precedes age 60, unless he has at least 30 years of creditable service In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination The System also provides death and disability benefits Benefits are established by state statute

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

Funding Policy Under Plan B, members are required by state statute to contribute 5 percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate The current rate is 8 percent of annual covered payroll Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan The contribution requirements of plan members and the Town of Kentwood are established and may be amended by state statute As provided by Louisiana Revised Statute 11 103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2012 was \$36,121, equal to the required contributions for each year

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

Plan Description All full-time police department employees engaged in law enforcement are required to participate in the System Employees who retire at or after age 50 with at least 20 years of creditable service or at age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town of Kentwood is required to contribute at an actuarially determined rate. The current rate is 31 percent, up from 29 percent of annual covered payroll, to meet present actuarial assumptions. The contribution requirements of plan members and the Town of Kentwood are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2012 and 2011 were \$6,484 and \$5,664, respectively, equal to the required contributions for each year.

C. Firefighters Retirement System of Louisiana (System)

Plan Description Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service, not to exceed 100 per cent of their final-average salary. Final-average salary is the employee's average salary over 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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

Funding Policy Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 24 percent in 2012 down from 23.25 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Kentwood contributions to the System under Plan B for the years ending December 31, 2012 were \$23,050, equal to the required contributions for each year.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

16. Other Post-Employment Benefits

The Town of Kentwood is required to report under GASB 45 Accounting for Other Post Employment Benefit (OPEB) Obligations. This standard requires governmental entities to record the present value of the unfunded employer costs associated with non-retirement-based expected payments to current and former employees for post-employment benefits such as health insurance. The Town utilized a specialist to estimate the present value of the full costs of all promised health benefits to all current and former employees and eligible spouses included in the current benefit population utilizing such factors as the age, retirement age, expected increases in health costs, expected employer contributions, historical health claims by employee population, and other factors. The Town has not yet implemented a protected trust to fund a plan to pay for these expected costs. The impact on the financials for governmental funds is at the government wide level, where the excess projected costs in excess of the amount funded by the Town in the year is accrued as a liability called the net OPEB obligation. The net OPEB obligation will increase rapidly over time if the obligation is not funded. The annual OPEB cost can be significantly higher for some entities than its current health premiums expense depending on the demographics of the employee population.

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

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

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

Contribution Rates. Employees do not contribute to their post-employment benefits. The plan is fully funded by the Town.

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

Annual Required Contribution. The Town of Kentwood's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, under the alternative measurement method.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

permitted for employers with plans with fewer than one hundred members. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2012 is shown in the following table:

	Medical
Normal Cost	\$ 14,099
30-year UAL (Unfunded Liability) Amortization Amount	5,474
Interest on Normal Cost and Amortization Payment	548
Annual required contributions (ARC)	\$ 20,121

Net Post-employment Benefit Obligation (Asset). The Town's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2012

	Medical
Beginning Net OPEB Obligation (Asset) 12/31/11	\$ 9,177
Annual required contribution (ARC)	20,121
Interest on Net OPEB Obligation (Asset)	257
ARC Adjustment	(306)
OPEB Cost	20,072
Contribution	-
Current year retiree premium	(10,947)
Change in Net OPEB Obligation	9,125
Ending Net OPEB Obligation (Asset) 12/31/12	\$ 18,302

The following table shows Town of Kentwood's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) obligation (asset) for 2012 and 2011 (transition year):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	12/31/2012	\$ 20,072	54.54%	\$ 18,302
Medical	12/31/2011	20,121	54.39%	9,377

**Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012**

Funded Status and Funding Progress. As of December 31, 2011, the year of the most recent actuarial valuation, the funded status and funding progress was as follows

	Medical
Actuarial Accrued Liability (AAL)	\$ 164,221
Actuarial Value of Plan Assets	-
Unfunded Act Accrued Liability (UAAL)	164,221
Funded Ratio (Act. Val. Assets / AAL)	0%
Covered Payroll (active plan members)	977,946
UAAL as a percentage of covered payroll	17%

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

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

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

Actuarial Value of Plan Assets. Since the OPEB obligation has not yet been funded, there are no any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

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

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

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded) Based on the historical and expected returns of the Town's short-term investment portfolio and revenue growth, a discount rate of 2.8 percent was used In addition, a simplified version of the unit credit actuarial cost method was used The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over thirty years

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services A rate of 2.6 percent initially, increased to an ultimate rate of 5.8 percent after ten years was used

Inflation Rate. The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Consumer Price Index (CPI) in *The 2010 Annual Report for the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario The expected long-term payroll growth rate was assumed to equal the rate of inflation

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

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

Mortality Rate. Life expectancies were based on mortality tables from the National Center for Health Statistics

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

17. Restricted Fund Balances/Net Position

At December 31, 2012, the General Fund had \$31,399 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end The General Fund also had \$325,540 at fiscal year-end recorded as restricted fund balance The restriction on fund balance relates to a legal restriction on the use of bond proceeds for constructing and acquiring a public building The Town of Kentwood sold its interest in the building on April 13, 2000, restricting proceeds of the sale per terms of the original bond issue

At December 31, 2012, the Volunteer Fire Department Fund had \$19,509 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use in fire protection

At December 31, 2012, the LHFA special revenue Fund had \$2,052 non-spendable fund balance, representing the value of prepaid insurance at fiscal year-end, with the remaining fund balance assigned for specific use economic development

At December 31, 2012, the Utility Fund had restricted net position of \$114,906, representing the Town's funds restricted by revenue bond debt covenants

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

At December 31, 2012, the Housing Assistance Fund, consisting of the United States Department of Housing and Urban Development (HUD) Housing Choice Vouchers program, had restricted net position of \$35,815, which is restricted for housing assistance payments. The restriction on fund balance relates to the restriction imposed by the grantor, HUD.

18. Risk Management

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

19. Contingent Liabilities

At December 31, 2012, the Town was not involved in any outstanding litigation or claims.

20. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended December 31, 2012, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen and firefighters. In accordance with GASB 24, the Town recorded \$40,700 of on behalf payments as revenue and as expenditure in the General Fund.

21. LHFA Grant Revenue and Commitment

During the year ended December 31, 2010 the town was awarded \$369,539 in Community Development Block Grant funds, passed through the Louisiana Housing Finance Agency (LHFA) - Neighborhood Stabilization Program. The funds were awarded for the purchase, demolition and rebuild of two residential properties and for the purchase and rehabilitation of a third property. As part of the program award, the Town of Kentwood signed two promissory notes on October 6, 2010 in the amounts of \$123,180 and \$246,359 on the one rehabilitation property and the two rebuild, respectively. The terms of the promissory notes include a fifteen year pay down scenario commencing twelve months after the issuance of a certificate of occupancy on the property. The terms of the pay down include a 1/15th annual reduction in the note amount at zero interest for each year that the property is leased to persons meeting the guidelines established in the notes as well as in the grant agreement. The notes become due and payable upon (i) the sale of the properties prior to fifteen years, or (ii) the failure of the Town to lease the property as outlined in the agreement.

In 2010, the Town recorded \$244,901 as grant revenue in the governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA).

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

In 2011, the Town recorded \$125,063 as grant revenue in the governmental activities of the statement of activities and in the statement of revenues, expenditures and changes in fund balances - governmental funds (Capital Project Fund LHFA) The two rebuild houses were completed with total construction costs for the two houses totaling \$304,315

In 2011, the Town entered into a building contract in the amount of \$48,700 the rehabilitate the third property. As the construction on the third property was nearing completion, an accident occurred, with an 18-wheeler truck losing control and causing severe damage to the third property At fiscal year-end 2011, \$101,495 in acquisition and construction costs was recorded with the construction approximately 90 percent complete In 2012, \$10,670 in construction costs were incurred and recorded, resulting in total final costs of \$112,165 After the Town paid \$1,136 for an inspection of the damaged house, the property was considered a total lost Insurance reimbursement was received in the amount of \$180,535 The Town repaid \$79,580 of the grant related to this property The Town also incurred \$8,500 in 2013 for the demolition of the building

22. Commitments

In 2010, the Town entered into a professional services contract, amended in 2011, for landscape architecture services for the recreational park project totaling \$73,630 as amended [currently in the "Base Infrastructure Phase" of the North Tangipahoa Parish Recreation Park] As of December 31, 2012, \$71,329 has been paid or is payable under this contract (as amended) and the remaining commitment is \$2,301

In 2012, the Town entered into a construction contract (amended in 2012 as well) for the construction work to be performed for the base infrastructure phase, totaling \$570,772 As of December 31, 2012, \$386,612 has been paid or is payable under this contract and the remaining commitment is \$184,160

This project utilizes multiple funding sources, Recreation Trails Program, State Capital Outlay, and Land & Water Conservation Fund At December 31, 2012, the total estimated funding of the project is approximately \$597,556 Total projected cost of this phase of the project is approximately \$597,600 and the estimated cost of this phase of the project is \$644,402 As of December 31, 2012, the Town has spent a total of \$484,167 on this project (approximately 75% of the total projected project cost)

Subsequent to year end, additional change orders were executed on the construction contract reducing the contract value to \$524,950 After these change orders, the total projected cost of this phase of the project is \$598,600

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

23. Condensed Utility Financial Information

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

Condensed Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type, Utility Fund
For the year ended December 31, 2012

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 450,831	\$ -	\$ -	\$ 450,831
Less Cost of Gas Sold	<u>(176,614)</u>	<u>-</u>	<u>-</u>	<u>(176,614)</u>
Gross Profit on Gas Sales	274,217	-	-	274,217
Water Sales	-	449,670	-	449,670
Sewer Service Charges	-	-	312,312	312,312
Other	<u>11,237</u>	<u>9,813</u>	<u>6,197</u>	<u>27,247</u>
Total Operating Revenues	<u>285,454</u>	<u>459,483</u>	<u>318,509</u>	<u>1,063,446</u>
Operating Expenses				
Employee Expenses	193,786	91,712	27,295	312,793
Deprecation	9,627	73,122	152,645	235,394
Other Operating Expenses	<u>66,878</u>	<u>229,230</u>	<u>63,720</u>	<u>359,828</u>
Total Operating Expenses	<u>270,291</u>	<u>394,064</u>	<u>243,660</u>	<u>908,015</u>
Operating Income (Loss)	15,163	65,419	74,849	155,431
Total Nonoperating Revenues (Expenses)	<u>581</u>	<u>193</u>	<u>(33,073)</u>	<u>(32,299)</u>
Income (Loss) Before Transfers	15,744	65,612	41,776	123,132
Contributions and Transfers	<u>-</u>	<u>(338,240)</u>	<u>-</u>	<u>(338,240)</u>
Change in Net Position	<u>15,744</u>	<u>(272,628)</u>	<u>41,776</u>	<u>(215,108)</u>
Total Net Position, Beginning				<u>3,143,345</u>
Total Net Position, Ending				<u>\$ 2,928,237</u>

24. Prior Period Adjustment

The Town recorded a prior period adjustment of \$9,448 in the current year within the General Fund affecting the fiscal year ending December 31, 2006, which is reflected in the comparative beginning net asset information. It was determined that the Town owed GOHSEP for excess FEMA funds received in 2005 for hurricane expenditures. The Town received \$40,000 as an estimated expenditure for overtime labor, equipment, and material used in the aftermath of Hurricane Katrina. The Town only submitted a cost summary sheet in the amount of \$30,827. After the administrative portion was adjusted, the Town owed a total of \$9,448 to the Governor's Office of Homeland Security. This was also adjusted as a reduction to beginning net position. Governmental Activities net position of \$3,828,235 shown at December 31, 2011 was restated as \$3,818,787, due to this change.

Town of Kentwood
Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

The Town recorded a prior period adjustment of \$5,544 in the current year audit in the Housing Fund affecting the fiscal year ending December 31, 2011, which is reflected in the comparative beginning net asset information. The Town paid back the Disaster Voucher Program that was due in 2011. This was also adjusted as a reduction to beginning net position. Business-Type Activities net position of \$3,185,374 shown at December 31, 2011 was restated as \$3,179,830 due to this change.

25. Subsequent Events

Subsequent to year end, additional change orders were executed on the construction contract related to the park project which reduced the contract value to \$524,950. After these change orders, the total projected cost of this phase of the project is \$598,600.

On January 16th, 2013, the Tangipahoa Parish Rural Fire Protection District No. 2, passed a motion that as a part of the 2013 fire contract that Tangipahoa Parish Fire Protection District No. 2 shall be required to enter into a cooperative endeavor agreement with the Tangipahoa Parish Government to perform all *accounting services, not limited to purchasing, procurement, and payroll, subject to employees of fire departments not being Parish employees contingent upon advice of Attorney Duncan Kemp.* On March 15, 2013, the Kentwood Volunteer Fire Department transferred a total of \$1,200,000 of its operating funds to the Tangipahoa Parish Government to be administered for the department.

Subsequent events have been evaluated by management through June 28, 2013, the date the financial statements were available for issuance and these financial statements considered subsequent events through such date.

Required Supplemental Information (Part II)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Summary
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,046,500	\$ 997,100	\$ 1,000,701	\$ 3,601
Licenses and Permits	165,000	160,100	159,295	(805)
Intergovernmental	1,364,812	675,654	21,130	(654,524)
Charges for Services	13,400	11,850	10,782	(1,068)
Fines and Forfeitures	20,000	12,500	11,318	(1,182)
Sanitation Fees	87,000	79,600	78,860	(740)
Interest	1,500	1,700	1,623	(77)
On Behalf Payments - Supplemental Pay	30,000	42,000	40,700	(1,300)
Donations	-	1,000	791	(209)
Miscellaneous	21,700	15,600	19,979	4,379
Total Revenues	<u>2,749,912</u>	<u>1,997,104</u>	<u>1,345,179</u>	<u>(651,925)</u>
Expenditures				
General Government	636,130	598,750	571,224	27,526
Public Safety				
Police	482,315	441,100	435,875	5,225
Fire	175,345	169,200	165,186	4,014
Public Works - Streets and Sanitation	499,460	444,950	433,492	11,458
Health and Welfare	7,500	6,600	6,594	6
Recreation	15,100	18,200	17,282	918
Capital Outlays	740,000	678,872	71,618	607,254
Total Expenditures	<u>2,555,850</u>	<u>2,357,672</u>	<u>1,701,271</u>	<u>656,401</u>
Excess Revenues (Expenditures)	<u>194,062</u>	<u>(360,568)</u>	<u>(356,092)</u>	<u>4,476</u>
Other Financing Sources (Uses)				
Operating Transfers In	598,000	377,000	338,240	(38,760)
Operating Transfers (Out)	(791,500)	(16,000)	(16,000)	-
Total Other Financing Sources (Uses)	<u>(193,500)</u>	<u>361,000</u>	<u>322,240</u>	<u>(38,760)</u>
Net Change in Fund Balances	<u>562</u>	<u>432</u>	<u>(33,852)</u>	<u>(34,284)</u>
Fund Balances, Beginning (Restated)	<u>1,381,122</u>	<u>1,381,122</u>	<u>1,381,122</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,381,684</u>	<u>\$ 1,381,554</u>	<u>\$ 1,347,270</u>	<u>\$ (34,284)</u>

See independent auditor's report

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended December 31, 2012

Revenues	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Taxes				
Ad Valorem	\$ 95,000	\$ 88,500	\$ 85,528	\$ (2,972)
Sales Taxes	767,000	810,000	814,435	4,435
Franchise Taxes	57,000	43,000	41,681	(1,319)
Alcoholic Beverage Taxes	6,000	6,600	6,234	(366)
Gaming	120,000	48,000	51,823	3,823
Chain Store Taxes	1,500	1,000	1,000	-
Total Taxes	1,046,500	997,100	1,000,701	3,601
Licenses and Permits				
Business Privilege and Insurance License	156,000	150,000	147,682	(2,318)
Building Permits	1,000	1,000	688	(312)
Electric Permits	5,000	5,300	5,950	650
Liquor Licenses	3,000	3,800	4,975	1,175
Total Licenses and Permits	165,000	160,100	159,295	(805)
Intergovernmental				
Federal Grants				
Park Project Grants	292,366	392,508	-	(392,508)
State Grants				
Community Water Enrichment	25,500	-	-	-
LGAP - Water Tank	12,000	-	-	-
LHFA Grant	5,600	-	-	-
Park Project Grants	262,346	262,346	-	(262,346)
Other	-	-	12,971	12,971
Recreational House Bill 1 Funds	25,000	-	-	-
Sewer Rehabilitation Grant	720,000	-	-	-
Other				
Entergy - Beautification	-	500	-	(500)
Fire District Reimbursement	10,000	8,300	8,159	(141)
Parish Grant	12,000	12,000	-	(12,000)
Total Intergovernmental	1,364,812	675,654	21,130	(654,524)
Miscellaneous Revenues				
Charges for Services	13,400	11,850	10,782	(1,068)
Fines and Forfeitures	20,000	12,500	11,318	(1,182)
Sanitation Fees	87,000	79,600	78,860	(740)
Interest	1,500	1,700	1,623	(77)
On Behalf Payments - Supplemental Pay	30,000	42,000	40,700	(1,300)
Donations	-	1,000	791	(209)
Miscellaneous	21,700	15,600	19,979	4,379
Total Miscellaneous Revenues	173,600	164,250	164,053	(197)

(Continued)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended December 31, 2012

Expenditures	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Salaries				
Mayor and Aldermen	53,000	53,100	53,007	93
Clerical	131,000	132,000	133,621	(1,621)
Janitorial	11,000	10,500	10,127	373
Museum	15,000	11,000	10,535	465
Attorney	3,400	3,300	3,245	55
Benefits				
Health Insurance	39,390	31,000	28,964	2,036
Retirement	20,000	18,000	16,798	1,202
Payroll Taxes	57,200	51,000	50,591	409
Bad Debt	-	-	-	-
General and Administrative	6,500	7,000	6,381	619
Insurance	83,890	74,500	68,255	6,245
Other operating				
Aldermen Travel	3,100	7,800	7,572	228
Assessor Taxroll	2,000	1,900	1,937	(37)
Computer Expense	5,000	5,600	4,992	608
Coroner's Fees	5,500	7,200	5,535	1,665
Council on Aging	2,400	2,400	2,400	-
Dues and Subscription	3,000	2,500	1,852	648
Mayor's Expense	5,000	5,100	4,027	1,073
Meeting and Travel Expense	6,300	4,600	4,233	367
Miscellaneous	13,950	17,250	17,403	(153)
Museum	6,000	1,100	864	236
Promotion	3,000	2,000	1,027	973
Uniforms	5,800	2,500	2,126	374
Zoning	1,250	200	100	100
Professional Fees	42,000	50,000	48,943	1,057
Rent - Community Center	5,300	5,000	4,800	200
Repairs and Maintenance				
City Hall	6,000	14,000	11,631	2,369
Civic Center	5,500	3,800	3,502	298
Community Center	300	300	153	147
Council on Aging	2,500	700	497	203
Health Unit	1,500	500	553	(53)
Martin Luther King Park	1,500	1,800	1,574	226
Museum	750	2,300	1,803	497
Supplies	16,000	15,000	12,570	2,430
Utilities				
City Hall	22,000	22,000	17,744	4,256
Civic Center	9,500	8,700	10,542	(1,842)
Commodity Center	11,500	6,100	5,507	593
Council on Aging	8,000	5,000	4,802	198
Health Unit	9,600	4,200	4,100	100
Martin Luther King Park	3,500	2,200	1,586	614
Museum	8,000	5,600	5,325	275
Total General Government	636,130	598,750	571,224	27,526

(Continued)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Public Safety:				
Police				
Salaries	288,000	285,000	286,091	(1,091)
Benefits - Retirement	81,435	66,900	66,471	429
Fuel	40,000	48,000	47,031	969
General and Administrative	3,500	1,500	1,263	237
Insurance - Workers Compensation	15,080	11,200	9,927	1,273
Other operating				
Court Attendance	8,000	1,000	850	150
Housing Prisoners	3,000	3,000	2,219	781
Miscellaneous	2,300	2,400	1,923	477
Office Expense	5,000	3,000	1,623	1,377
Schools and Seminars	4,000	1,800	1,730	70
Special Fund	1,000	-	-	-
Uniforms	2,500	3,400	3,116	284
Repairs and Maintenance	15,000	3,500	4,267	(767)
Supplies	7,500	3,700	2,771	929
Telephone	6,000	6,700	6,593	107
Total Police	<u>482,315</u>	<u>441,100</u>	<u>435,875</u>	<u>5,225</u>
Fire				
Salaries	114,000	110,900	110,983	(83)
Benefits - Retirement	34,225	30,000	29,012	988
Fuel	1,500	2,300	1,492	808
General and Administrative	500	200	-	200
Insurance - Workers Compensation	8,120	6,000	8,341	(2,341)
Other operating	6,000	6,000	2,624	3,376
Repairs and Maintenance - Fire Truck	8,000	8,700	8,085	615
Telephone	3,000	5,100	4,649	451
Total Fire	<u>175,345</u>	<u>169,200</u>	<u>165,186</u>	<u>4,014</u>
Total Public Safety	<u>657,660</u>	<u>610,300</u>	<u>601,061</u>	<u>9,239</u>

(Continued)

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended December 31, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance
	Original	Final		Favorable (Unfavorable)
Public Works - Streets and Sanitation				
Salaries	75,000	78,000	72,332	5,668
Benefits	15,400	12,750	12,657	93
Fuel	28,000	20,500	20,493	7
Garbage Collection	220,000	206,000	204,645	1,355
Insurance - Workers Compensation	4,060	3,100	2,736	364
Other operating	8,000	2,700	4,952	(2,252)
Repairs and Maintenance				
Cemetery	24,000	24,000	25,346	(1,346)
Equipment	20,000	6,500	6,759	(259)
Maintenance Contract	13,500	12,000	10,835	1,165
Tree	2,500	400	170	230
Supplies	20,000	13,000	6,808	6,192
Utilities - Street Lights	69,000	66,000	65,759	241
Total Public Works - Streets and Sanitation	499,460	444,950	433,492	11,458
Health and Welfare				
Other operating	7,500	6,600	6,594	6
Total Health and Welfare	7,500	6,600	6,594	6
Recreation				
Salaries	3,100	2,900	3,013	(113)
Other operating	10,000	13,000	12,269	731
Utilities	2,000	2,300	2,000	300
Total Recreation	15,100	18,200	17,282	918
Capital Outlays				
General Government	105,000	82,000	45,518	36,482
Public Safety - Police Protection	15,000	26,100	26,100	-
Public Safety - Fire Protection	20,000	-	-	-
Public Works - Streets and Sanitation	20,000	-	-	-
Recreation	580,000	570,772	-	570,772
Total Capital Outlays	740,000	678,872	71,618	607,254
Excess Revenues (Expenditures)	194,062	(360,568)	(356,092)	4,476
Other Financing Sources (Uses)				
Operating Transfers In	598,000	377,000	338,240	(38,760)
Operating Transfers (Out)	(791,500)	(16,000)	(16,000)	-
Total Other Financing Sources (Uses)	(193,500)	361,000	322,240	(38,760)
Net Change in Fund Balances	562	432	(33,852)	(34,284)
Fund Balances, Beginning (Restated)	1,381,122	1,381,122	1,381,122	-
Fund Balances, Ending	\$ 1,381,684	\$ 1,381,554	\$ 1,347,270	\$ (34,284)

(Concluded)

See independent auditor's report

Town of Kentwood
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Special Revenue Fund - Kentwood Volunteer Fire Department
For the year ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Intergovernmental				
Parish Allocation	\$ 505,400	\$ 510,000	\$ 535,185	\$ 25,185
Fire Insurance Rebate - Tangipahoa	30,000	29,500	29,242	(258)
Fire Insurance Rebate - St Helena	4,000	3,700	3,683	(17)
Federal Grant - FEMA	-	-	-	-
State Grant - LA Forestry	5,000	3,400	3,414	14
Interest	1,000	500	385	(115)
Miscellaneous	1,500	1,100	90	(1,010)
Total Revenues	<u>546,900</u>	<u>548,200</u>	<u>571,999</u>	<u>23,799</u>
Expenditures				
Public Safety				
Fire				
Salaries				
Administrative	4,200	4,000	3,697	303
Fire Chief	4,600	4,600	4,512	88
Firefighters	100,000	90,000	86,372	3,628
Maintenance	3,900	3,500	3,585	(85)
Benefits	50,900	46,300	43,994	2,306
Payroll Taxes	9,600	7,000	6,921	79
Fuel	20,000	15,000	15,371	(371)
Insurance	52,500	39,000	30,608	8,392
Other operating				
Dues and Subscriptions	500	500	325	175
Office	3,000	4,400	5,031	(631)
Licenses and Permits	500	500	125	375
Miscellaneous	5,000	1,000	-	1,000
Public Education	5,000	5,500	5,258	242
Training and Tuition	5,000	2,000	6,121	(4,121)
Security	500	1,000	857	143
Volunteer Firemen Expense	35,000	19,000	18,551	449
Professional Fees	10,000	12,000	7,279	4,721
Repairs and Maintenance	20,000	28,000	26,899	1,101
Supplies	45,000	10,500	17,957	(7,457)
Telephone	4,000	4,100	4,028	72
Utilities	16,000	13,000	13,016	(16)
Total Public Safety - Fire	<u>395,200</u>	<u>310,900</u>	<u>300,507</u>	<u>10,393</u>
Capital Outlays - Fire Protection	370,000	46,000	45,631	369
Total Expenditures	<u>765,200</u>	<u>356,900</u>	<u>346,138</u>	<u>10,762</u>
Excess Revenues (Expenditures)	<u>(218,300)</u>	<u>191,300</u>	<u>225,861</u>	<u>34,561</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(218,300)</u>	<u>191,300</u>	<u>225,861</u>	<u>34,561</u>
Fund Balances, Beginning	<u>1,252,879</u>	<u>1,252,879</u>	<u>1,252,879</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,034,579</u>	<u>\$ 1,444,179</u>	<u>\$ 1,478,740</u>	<u>\$ 34,561</u>

See independent auditor's report

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

Required Supplementary Information
December 31, 2012

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(2-1) Unfunded AAL (UAAL)	(1/2) Funded Ratio	(3) Annual Covered Payroll	((2-1)/(3)) UAAL as a Percentage of Covered Payroll
12/31/2011	-	\$164,221	\$ 164,221	0%	\$ 977,946	17%

GASB 45 requires the presentation of the above information for the most recent actuarial valuation and the two preceding valuations. The Town adopted GASB Statement No. 45 in the year ending December 31, 2011 and as such, this was the Town's first and only actuarial valuation.

See independent auditor's report

Other Supplemental Information

Town of Kentwood
Schedules of Net Position
Proprietary Fund Type - Utility Fund
As of December 31, 2012 and 2011

	Utility Fund	
	2012	2011
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 482,008	\$ 508,583
Receivables, Net	155,578	173,755
Due From State	182	18,846
Inventory	-	-
Total Current Assets	<u>637,768</u>	<u>701,184</u>
Restricted Assets		
Restricted Cash and Cash Equivalents	244,784	214,805
Total Restricted Assets	<u>244,784</u>	<u>214,805</u>
Property, Plant, and Equipment		
Land	21,100	21,100
Construction in Progress	-	-
Property, Plant and Equipment, Net	2,960,204	3,188,092
Total Property, Plant, and Equipment	<u>2,981,304</u>	<u>3,209,192</u>
Total Assets	<u>3,863,856</u>	<u>4,125,181</u>
Liabilities		
Current Liabilities (Payable From Current Assets)		
Accounts Payable	59,402	69,118
Other Accrued Payables	27,353	59,276
Due To Other Funds	8,000	7,750
Total Current Liabilities (Payable From Current Assets)	<u>94,755</u>	<u>136,144</u>
Current Liabilities (Payable From Restricted Assets)		
Customer Deposits	129,878	123,310
Revenue Bonds Payable	20,789	19,777
Total Current Liabilities (Payable From Restricted Assets)	<u>150,667</u>	<u>143,087</u>
Long Term Liabilities		
Bonds Payable	636,464	657,255
Other Post Employment Benefit Obligation	4,780	1,030
Accrued Sick Leave Convertible to Retirement	48,953	44,320
Total Long Term Liabilities	<u>690,197</u>	<u>702,605</u>
Total Liabilities	<u>935,619</u>	<u>981,836</u>
Net Position		
Net Investment in Capital Assets	2,324,051	2,532,160
Restricted for		
Capital Projects and Debt Service	114,906	91,495
Unrestricted	489,280	519,690
Total Net Position	<u>\$ 2,928,237</u>	<u>\$ 3,143,345</u>

See independent auditor's report

Town of Kentwood
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund Type - Utility Fund
For the years ended December 31, 2012 and 2011

	Utility Fund	
	2012	2011
Operating Revenues		
Gas Sales	\$ 450,831	\$ 562,772
Less Cost of Gas Sold	(176,614)	(239,388)
Gross Profit on Gas Sales	274,217	323,384
Water Sales	449,670	426,363
Sewer Service Charges	312,312	311,193
Other	27,247	23,586
Total Operating Revenues	<u>1,063,446</u>	<u>1,084,526</u>
Operating Expenses		
Bad Debts	8,939	12,176
Cathodic Protection	5,733	8,009
Depreciation	235,394	228,749
Employee Benefits	95,036	82,594
Insurance - Workers Compensation	9,573	9,305
Other	33,614	40,956
Professional Fees	38,230	53,224
Repairs and Maintenance	51,891	74,390
Salaries and Wages	217,757	199,057
Supplies	42,553	46,342
Utilities	69,388	80,148
Water Treatment	99,907	21,659
Total Operating Expenses	<u>908,015</u>	<u>856,609</u>
Operating Income (Loss)	<u>155,431</u>	<u>227,917</u>
Nonoperating Revenues (Expenses)		
Interest Income	1,021	754
Interest Expense	(33,320)	(34,285)
Total Nonoperating Revenues (Expenses)	<u>(32,299)</u>	<u>(33,531)</u>
Income (Loss) Before Transfers	123,132	194,386
Contributions and Transfers		
Capital Contributions	-	11,400
Operating Transfers Out	(338,240)	(481,771)
Change in Net Position	(215,108)	(275,985)
Total Net Position, Beginning	<u>3,143,345</u>	<u>3,419,330</u>
Total Net Position, Ending	<u>\$ 2,928,237</u>	<u>\$ 3,143,345</u>

See independent auditor's report

Town of Kentwood
Schedules of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2012 and 2011

	<u>Utility Fund</u>	
	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 1,230,990	\$ 1,369,141
Received for Meter Deposit Fees	6,568	5,981
Other Receipts	45,911	60,047
Received (Payments) for Interfund Services	250	7,750
Payments for Operations	(536,654)	(569,066)
Payments to Employees	(307,004)	(283,221)
Net Cash Provided (Used) by Operating Activities	<u>440,061</u>	<u>590,632</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	(338,240)	(481,771)
Net Cash (Used) by Noncapital Financing Activities	<u>(338,240)</u>	<u>(481,771)</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	-	11,400
(Payments for) Capital Acquisitions	(46,258)	(25,268)
Principal Proceeds from (Repayments for) Long Term Debt	(19,779)	(18,817)
Interest Payments for Long Term Debt	(33,401)	(34,363)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(99,438)</u>	<u>(67,048)</u>
Cash Flows From Investing Activities		
Receipt of Interest	1,021	754
Net Cash Provided by Investing Activities	<u>1,021</u>	<u>754</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	3,404	42,567
Cash and Cash Equivalents, Beginning of Year	723,388	680,821
Cash and Cash Equivalents, End of Year	<u>\$ 726,792</u>	<u>\$ 723,388</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 482,008	\$ 508,583
Cash and Cash Equivalents, Restricted	244,784	214,805
Total Cash and Cash Equivalents	<u>\$ 726,792</u>	<u>\$ 723,388</u>

(Continued)

Town of Kentwood
Schedules of Cash Flows
Proprietary Fund Type - Utility Fund
For the year ended December 31, 2012 and 2011

	Utility Fund	
	<u>12/31/12</u>	<u>12/31/11</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 155,431	\$ 227,917
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities		
Depreciation	235,394	228,749
(Increase) decrease in Accounts Receivable	18,177	68,813
(Increase) decrease in Other Receivable	18,664	36,461
(Increase) decrease in Inventory	-	20,462
(Increase) decrease in Due (to) and from Other Funds	250	7,750
Increase (decrease) in Accounts Payable	(4,845)	(4,052)
Increase (decrease) in Compensated Absences	537	(3,579)
Increase (decrease) in Accrued Expenses	9,885	2,130
Increase (decrease) in Customer Deposits	6,568	5,981
Net Cash Provided (Used) by Operating Activities	<u>\$ 440,061</u>	<u>\$ 590,632</u>

(Concluded)

See independent auditor's report

Town of Kentwood
Combining Schedule of Net Position, Proprietary Fund Type, Utility Fund
As of December 31, 2012

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 213,991	\$ -	\$ 268,017	\$ 482,008
Receivables, Net	140,578	15,000	-	155,578
Due From State		182		182
Total Current Assets	<u>354,569</u>	<u>15,182</u>	<u>268,017</u>	<u>637,768</u>
Restricted Assets				
Restricted Cash and Cash Equivalents	129,975	-	114,809	244,784
Total Restricted Assets	<u>129,975</u>	<u>-</u>	<u>114,809</u>	<u>244,784</u>
Property, Plant, and Equipment				
Land	21,100	-	-	21,100
Property, Plant and Equipment, Net	142,823	1,114,245	1,703,136	2,960,204
Total Property, Plant, and Equipment	<u>163,923</u>	<u>1,114,245</u>	<u>1,703,136</u>	<u>2,981,304</u>
Total Assets	<u>648,467</u>	<u>1,129,427</u>	<u>2,085,962</u>	<u>3,863,856</u>
Liabilities				
Current Liabilities (Payable From Current Assets)				
Accounts Payable	59,402	-	-	59,402
Other Accrued Payables	24,652	-	2,701	27,353
Due To Other Funds	8,000	-	-	8,000
Total Current Liabilities (Payable From Current Assets)	<u>92,054</u>	<u>-</u>	<u>2,701</u>	<u>94,755</u>
Current Liabilities (Payable From Restricted Assets)				
Customer Deposits	54,084	75,794	-	129,878
Revenue Bonds Payable	-	-	20,789	20,789
Total Current Liabilities (Payable From Restricted Assets)	<u>54,084</u>	<u>75,794</u>	<u>20,789</u>	<u>150,667</u>
Long Term Liabilities				
Bonds Payable	-	-	636,464	636,464
Other Post Employment Benefit Obligation	1,434	1,482	1,864	4,780
Accrued Sick Leave Convertible to Retirement	48,953	-	-	48,953
Total Long Term Liabilities	<u>50,387</u>	<u>1,482</u>	<u>638,328</u>	<u>690,197</u>
Total Liabilities	<u>196,525</u>	<u>77,276</u>	<u>661,818</u>	<u>935,619</u>
Net Position				
Net Investment in Capital Assets				2,324,051
Restricted for				
Capital Projects and Debt Service				114,906
Unrestricted				489,280
Total Net Position				<u>\$ 2,928,237</u>

See independent auditor's report

Town of Kentwood
Combining Schedule of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type, Utility Fund
For the year ended December 31, 2012

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues				
Gas Sales	\$ 450,831	\$ -	\$ -	\$ 450,831
Less Cost of Gas Sold	(176,614)	-	-	(176,614)
Gross Profit on Gas Sales	274,217	-	-	274,217
Water Sales	-	449,670	-	449,670
Sewer Service Charges	-	-	312,312	312,312
Other	11,237	9,813	6,197	27,247
Total Operating Revenues	<u>285,454</u>	<u>459,483</u>	<u>318,509</u>	<u>1,063,446</u>
Operating Expenses				
Bad Debts	2,980	2,980	2,979	8,939
Cathodic Protection	5,733	-	-	5,733
Depreciation	9,627	73,122	152,645	235,394
Employee Benefits	56,590	28,062	10,384	95,036
Insurance - Workers Compensation	5,663	3,216	694	9,573
Other	18,055	9,781	5,778	33,614
Professional Fees	16,371	17,173	4,686	38,230
Repairs and Maintenance	4,728	24,516	22,647	51,891
Salaries and Wages	137,196	63,650	16,911	217,757
Supplies	13,348	26,498	2,707	42,553
Utilities	-	45,159	24,229	69,388
Water Treatment	-	99,907	-	99,907
Total Operating Expenses	<u>270,291</u>	<u>394,064</u>	<u>243,660</u>	<u>908,015</u>
Operating Income (Loss)	<u>15,163</u>	<u>65,419</u>	<u>74,849</u>	<u>155,431</u>
Nonoperating Revenues (Expenses)				
Interest Income	581	193	247	1,021
Interest Expense	-	-	(33,320)	(33,320)
Total Nonoperating Revenues (Expenses)	<u>581</u>	<u>193</u>	<u>(33,073)</u>	<u>(32,299)</u>
Income (Loss) Before Transfers	<u>15,744</u>	<u>65,612</u>	<u>41,776</u>	<u>123,132</u>
Contributions and Transfers				
Capital Contributions	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(338,240)	-	(338,240)
Change in Net Position	15,744	(272,628)	41,776	(215,108)
Total Net Position, Beginning				<u>3,143,345</u>
Total Net Position, Ending				<u>\$ 2,928,237</u>

See independent auditor's report

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Gas Sales	\$ 421,500	\$ 450,831	\$ 29,331
Less Cost of Gas Sold	(180,000)	(176,614)	3,386
Gross Profit on Gas Sales	241,500	274,217	32,717
Other			
Bad Debt Recoveries	1,000	743	(257)
Miscellaneous	7,100	6,438	(662)
Penalties	4,500	4,056	(444)
Total Operating Revenues	<u>254,100</u>	<u>285,454</u>	<u>31,354</u>
Operating Expenses			
Bad Debts	5,000	2,980	2,020
Cathodic Protection	5,800	5,733	67
Depreciation	9,500	9,627	(127)
Employee Benefits			
Health Insurance	35,000	35,429	(429)
Life Insurance	600	534	66
Payroll Taxes	10,100	10,033	67
Retirement	11,000	10,594	406
Insurance - Workers Compensation	5,500	5,663	(163)
Other			
Computer Expenses	500	-	500
DOT Drug Testing	600	497	103
Gas Leak Survey	1,500	1,429	71
Gas Operator Certification	4,200	4,150	50
Fuel	6,200	5,270	930
Meter Reading	5,500	5,166	334
Miscellaneous	100	1,053	(953)
Office Expense	500	490	10
Professional Fees	16,000	16,371	(371)
Repairs and Maintenance	9,200	4,728	4,472
Salaries and Wages	133,000	137,196	(4,196)
Supplies	12,300	13,348	(1,048)
Total Operating Expenses	<u>272,100</u>	<u>270,291</u>	<u>1,809</u>
Operating Income (Loss)	<u>(18,000)</u>	<u>15,163</u>	<u>33,163</u>
Nonoperating Revenues (Expenses)			
Interest Income	650	581	(69)
Total Nonoperating Revenues (Expenses)	<u>650</u>	<u>581</u>	<u>(69)</u>
Income (Loss) Before Transfers	<u>(17,350)</u>	<u>15,744</u>	<u>33,094</u>
Transfers			
Operating Transfers Out	(377,000)	-	377,000
Change in Net Position	<u>\$ (394,350)</u>	<u>\$ 15,744</u>	<u>\$ 410,094</u>

See independent auditor's report

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
For the year ended December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 450,400	\$ 449,670	\$ (730)
Delinquent Charges	4,300	1,266	(3,034)
Miscellaneous	6,200	4,868	(1,332)
Safe Drinking Water Fee	3,700	3,679	(21)
Total Operating Revenues	<u>464,600</u>	<u>459,483</u>	<u>(5,117)</u>
Operating Expenses			
Bad Debts	5,000	2,980	2,020
Depreciation	75,000	73,122	1,878
Employee Benefits			
Health Insurance	17,500	17,445	55
Life Insurance	300	267	33
Payroll Taxes	5,450	5,347	103
Retirement	5,100	5,003	97
Insurance - Workers Compensation	3,300	3,216	84
Other			
Computer Expenses	500	751	(251)
Department of Environmental Quality Fees	4,500	4,737	(237)
Fuel	2,800	2,198	602
Office Expense	1,400	941	459
Safe Drinking Water Fee	3,000	1,154	1,846
Professional Fees	41,000	17,173	23,827
Repairs and Maintenance	39,000	24,516	14,484
Salaries and Wages	62,500	63,650	(1,150)
Supplies	27,500	26,498	1,002
Utilities - Pump Electricity	46,000	45,159	841
Water Treatment	129,000	99,907	29,093
Total Operating Expenses	<u>468,850</u>	<u>394,064</u>	<u>74,786</u>
Operating Income (Loss)	<u>(4,250)</u>	<u>65,419</u>	<u>69,669</u>
Nonoperating Revenues (Expenses)			
Interest Income	200	193	(7)
Total Nonoperating Revenues (Expenses)	<u>200</u>	<u>193</u>	<u>(7)</u>
Income (Loss) Before Transfers	<u>(4,050)</u>	<u>65,612</u>	<u>69,662</u>
Contributions and Transfers			
Capital Contributions	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	(338,240)	(338,240)
Change in Net Position	<u>\$ (4,050)</u>	<u>\$ (272,628)</u>	<u>\$ (268,578)</u>

See independent auditor's report

Town of Kentwood
Schedule of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
For the year ended December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Sewer Charges	\$ 313,500	\$ 312,312	\$ (1,188)
Other			
Miscellaneous	1,000	2,118	1,118
Penalties	4,400	4,079	(321)
Total Operating Revenues	<u>318,900</u>	<u>318,509</u>	<u>(391)</u>
Operating Expenses			
Bad Debts	5,000	2,979	2,021
Depreciation	154,000	152,645	1,355
Employee Benefits			
Health Insurance	6,300	7,621	(1,321)
Life Insurance	200	134	66
Payroll Taxes	1,350	1,281	69
Retirement	1,500	1,348	152
Insurance - Workers Compensation	1,000	694	306
Other			
Analysis Fee	4,300	3,880	420
Fuel	2,000	1,876	124
Office Expense	500	22	478
Professional Fees	14,500	4,686	9,814
Repairs and Maintenance	28,800	22,647	6,153
Salaries and Wages	17,500	16,911	589
Supplies	3,700	2,707	993
Utilities	24,000	24,229	(229)
Total Operating Expenses	<u>264,650</u>	<u>243,660</u>	<u>20,990</u>
Operating Income (Loss)	<u>54,250</u>	<u>74,849</u>	<u>20,599</u>
Nonoperating Revenues (Expenses)			
Interest Income	250	247	(3)
Interest Expense	(34,000)	(33,320)	680
Total Nonoperating Revenues (Expenses)	<u>(33,750)</u>	<u>(33,073)</u>	<u>677</u>
Income (Loss) Before Transfers	<u>20,500</u>	<u>41,776</u>	<u>21,276</u>
Change in Net Position	<u>\$ 20,500</u>	<u>\$ 41,776</u>	<u>\$ 21,276</u>

See independent auditor's report

Schedule 13

**Town of Kentwood
Schedule of Sewer Rates
Proprietary Fund Type
For the year ended December 31, 2012**

Residential Rates		Commercial Rates	
\$	22 00 - Flat Monthly Rate	\$	42 00 Commercial Rate 1 - Flat Monthly Rate
			252 00 Commercial Rate 2 (Schools) - Flat Monthly Rate
			627 00 Commercial Rate 3 (Nursing Home) - Flat Rate
			22 00 Commercial Rate 4 (Churches) - Flat Rate
			0 95 Commercial Rate 5 (Metered) - Per 1,000 Gallons of Water
			1,278 80 Commercial Rate 6 (Tourist Center) - Flat Monthly Rate

See independent auditor's report

Schedule 14

**Town of Kentwood
Schedule of Number of Sewer, Water and Gas Customers
Proprietary Fund Type
For the year ended December 31, 2012**

	Residential	Commercial	Total
Sewer	748	106	854
Water	842	150	992
Gas	397	66	463

See independent auditor's report

Schedule 15

Town of Kentwood
Schedules of Gas Sales and Purchases
Proprietary Fund Type - Gas Utility System
As of December 31, 2012 and 2011

	Enterprise Funds	
	2012	2011
Gas Sales and Purchases		
Gas Sales		
Volume mcf (Thousand Cubic Feet)	45,158	49,861
Dollar Amount	\$ 450,831	\$ 562,772
Cost of Gas Sold		
Volume mcf (Thousand Cubic Feet)	52,216	54,936
Dollar Amount	\$ 176,614	\$ 239,388
Gross Profit	\$ 274,217	\$ 323,384
Gross Profit Percentage of Sales	61%	57%
Unaccounted for Gas Purchases		
Volume mcf (Thousand Cubic Feet)	7,058	5,075
Average Cost of Unaccounted for Gas	\$ 23,873	\$ 22,115
Percentage of Purchases	14%	9%
Number of Customers at Year End		
In Service, Industrial	2	2
In Service, Other	461	458
Total	463	460
Average Sales Per Customer		
Volume mcf (Thousand Cubic Feet)	98	108
Dollar Amount	\$ 974	\$ 1,223
Average Sales Per Thousand Cubic Feet		
Gas Sales, Industrial	\$ 5 84	\$ 7 02
Gas Sales, Other	\$ 14 11	\$ 15 26
Gas Sales	\$ 9 98	\$ 11 30
Gas Purchases	\$ -3 38	\$ -4 36
Subtotal	\$ 6 60	\$ 6 94
Unaccounted for Gas Purchases	\$ -0 46	\$ -0 40
Gross Profit	\$ 6 14	\$ 6 54

See independent auditor's report

**Town of Kentwood
Schedule of Insurance
For the year ended December 31, 2012**

<u>Insurance Company / Policy Number</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>	
Southern Insurance Company RGP-1070148-00	General Liability Commercial Automobile	\$ 1,000,000 1,000,000	2/1/2012 to	2/1/2013
Darwm Select Insurance Company 0202-3347	Public Officials Professional Liability	500,000	2/1/2012 to	2/1/2013
Darwm Select Insurance Company 0202-3348	Police Professional Liability	500,000	2/1/2012 to	2/1/2013
Western Surety Company 69465173	Fidelity Bond Mayor	150,000	1/28/2012 to	1/28/2015
70986562	Fidelity Bond Clerk	150,000	1/28/2012 to	1/28/2013
18272062	Position Schedule	375,000	6/20/2012 to	6/20/2013
Risk Management Agency UK12000204	Commercial Property Coverages, as scheduled	1,501,455	3/7/2012 to	3/7/2013
Stonetrust Commercial Insurance WCV 008 3970 01	Workers Compensation at Statutory Lmtations		11/19/2012 to	11/19/2013
Foremost Insurance Group 444-0019223612	Commercial Mobile Home Policy	250,000	7/13/2012 to	7/31/2013

See independent auditor's report

Schedule 17

**Town of Kentwood
Schedule of Compensation Paid to Board Members
For the year ended December 31, 2012**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Harold J Smith, Mayor (985) 229-3451	P O Box 313 Kentwood, LA 70444	\$ 30,832
Greg Burton, Council Member (985) 969-0832	1423 Highway 1049 Kentwood, LA 70444	4,435
Mike Hall, Council Member (985) 229-1929	P O Box 643 Kentwood, LA 70444	4,435
Scott Shaffett, Council Member (985) 415-6459	308 Avenue F Kentwood, LA 70444	4,435
Terrell Hookfin, Council Member (985) 514-9950	1100 Pear Street Kentwood, LA 70444	4,435
Irma T Gordon, Council Member (985) 514-0785	P O Box 454 Kentwood, LA 70444	4,435
		<u>\$ 53,007</u>

Terms end December 31, 2014 for Board Members

See independent auditor's report

Financial Data Schedules

(Required by the US Department of
Housing and Urban Development)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2012

<u>Line</u>	<u>Account Description</u>	<u>Housing Choice Voucher Program 14.871</u>
Assets:		
Current Assets		
Cash		
111	Cash - unrestricted	\$ 13,504
112	Cash - restricted - modernization and dev	-
113	Cash - other restricted	35,815
114	Cash - tenant security deposits	-
115	Cash - restricted for payment of current liabilities	-
100	Total Cash	<u>49,319</u>
Accounts and notes receivables		
121	Accounts receivable - PHA projects	-
122	Accounts receivable - HUD other projects	-
124	Accounts receivable - other government	-
125	Accounts receivable - miscellaneous	2,893
126	Accounts receivable - tenants - dwelling rents	-
126 1	Allowance for doubtful accounts - dwelling rents	-
126 2	Allowance for doubtful accounts - other	-
127	Notes, loans, and mortgages receivable - current	-
128	Fraud recovery	-
128 1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowances for uncollectible	<u>2,893</u>
Current Investments		
131	Investments - unrestricted	-
132	Investments - restricted	-
135	Investments - restricted for payment of current liabilities	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143 1	Allowance for obsolete inventories	-
144	Interprogram due from	-
145	Assets held for sale	-
150	Total Current Assets	<u>52,212</u>
Noncurrent Assets		
Fixed Assets		
161	Land	-
162	Buildings	-
163	Furniture, equipment, and machinery - dwellings	-
164	Furniture, equipment, and machinery - administration	10,741
165	Leasehold improvements	-
166	Accumulated depreciation	(10,741)
167	Construction in progress	-
160	Total Fixed Assets, net of Accumulated Depreciation	<u>-</u>
171	Notes, loans, and mortgages receivable - non current	-
172	Notes, loans, and mortgages receivable - non current - past due	-
173	Grants receivable - non current	-
174	Other assets	-
176	Investments in joint ventures	-
180	Total Noncurrent Assets	<u>-</u>
190	Total Assets	<u>\$ 52,212</u>

(Continued)

Schedule 18 (Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2012

<u>Line</u>	<u>Account Description</u>	<u>Housing Choice Voucher Program 14.871</u>
Liabilities and Equity:		
Liabilities		
Current Liabilities		
311	Bank Overdraft	\$ -
312	Accounts payable less than or equal to 90 days	-
313	Accounts payable greater than 90 days	-
321	Accrued wage / payroll taxes payable	-
322	Accrued compensated absences - current portion	-
324	Accrued contingency liability	-
325	Accrued interest payable	-
331	Accounts payable - HUD PHA programs	26
332	Accounts payable - PHA projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342	Deferred revenues	-
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	-
344	Current portion of long-term debt - operating borrowings	-
345	Other current liabilities	4,828
346	Accrued liabilities - other	-
347	Interprogram due to	-
348	Loan liability - current	-
310	Total Current Liabilities	<u>4,854</u>
Noncurrent Liabilities		
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	-
352	Long-term debt, net of current - operating borrowings	-
353	Noncurrent liabilities - other	-
354	Accrued compensated absences - noncurrent	-
355	Loan liability - noncurrent	-
356	FASB 5 Liabilities	-
357	Accrued pension and OPEB liabilities	-
350	Total noncurrent liabilities	<u>-</u>
300	Total Liabilities	<u>4,854</u>
Equity		
508 1	Invested in Capital Assets, Net of Related Debt	-
511 1	Restricted Net Assets	35,814
512	Undesignated Fund Balance/Retained Earnings	-
512 1	Unrestricted Net Assets	11,543
513	Total Equity / Net Assets	<u>47,357</u>
600	Total Liabilities and Equity / Net Assets	<u>\$ 52,211</u>

(Continued)

Schedule 18 (Continued)

Town of Kentwood
 Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
 For the year ended December 31, 2012

Line	Account Description	Housing Choice Voucher Program 14.871
Revenue:		
70300	Net tenant rental revenue	\$ -
70400	Tenant revenue - other	-
70500	Total Tenant Revenue	<u>-</u>
70600	HUD PHA operating grants	299,845
70610	Capital grants	-
70800	Other government grants	-
71100	Investment income - Unrestricted	-
71200	Mortgage interest income	-
71300	Proceeds from disposition of assets held for sale	-
71310	Cost of sale of assets	-
71400	Fraud recovery	5,357
71500	Other revenue	-
71600	Gain / loss on sale of fixed assets	-
72000	Investment income - restricted	-
70000	Total Revenue	<u><u>305,202</u></u>
Expenses		
Administrative		
91100	Administrative Salaries	29,731
91200	Auditing Fees	-
91300	Management Fee	-
91310	Book-keeping Fee	3,600
91400	Advertising and Marketing	-
91500	Employee benefit contributions - administrative	11,040
91600	Office Expenses	2,975
91700	Legal Expense	-
91800	Travel	-
91900	Other	-
91000	Total Operating Administrative	<u><u>47,346</u></u>
92000	Asset Management Fee	-
Tenant Services		
92100	Tenant services - salaries	-
92200	Relocation costs	-
92300	Employee benefit contributions - tenant services	-
92400	Tenant services - other	-
92500	Total Tenant Services	<u><u>-</u></u>
Utilities		
93100	Water	-
93200	Electricity	-
93300	Gas	-
93400	Fuel	-
93500	Labor	-
93600	Sewer	-
93700	Employee benefit contributions - utilities	-
93800	Other utilities expense	-
93000	Total Utilities	<u><u>-</u></u>
Ordinary Maintenance and Operation		
94100	Ordinary maintenance and operations - labor	-
94200	Ordinary maintenance and operations - materials and other	-
94300	Ordinary maintenance and operations - contract costs	-
94500	Employee benefit contributions - ordinary maintenance	-
94000	Total Maintenance	<u><u>-</u></u>

(Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Housing Choice Voucher Program
For the year ended December 31, 2012

Line	Account Description	Housing Choice Voucher Program 14,871
	Protective Services	
95100	Protective services - labor	-
95200	Protective services - other contract costs	-
95300	Protective services - other	-
95500	Employee benefit contributions - protective services	-
95000	Total Protective Services	-
	General Expenses	
96110	Property insurance	-
96120	Liability insurance	-
96130	Workmen's compensation	161
96140	All other insurance	-
96100	Total Insurance Premiums	161
96500	Bad debt - mortgages	-
96600	Bad debt - other	-
96710	Interest expense	-
96800	Severance expense	-
96000	Total Other General Expenses	-
96900	Total Operating Expenses	47,507
97000	Excess Operating Revenue over Operating Expenses	\$ 257,695
	Other Expenses	
97100	Extraordinary maintenance	\$ -
97200	Casualty losses - non-capitalized	-
97300	Housing assistance payments	262,822
97350	HAP portability-in	-
97400	Depreciation expense	-
97500	Fraud losses	-
97800	Dwelling units rent expense	-
90000	Total Expenses	310,329
	Other Financing Sources (Uses)	
10010	Operating transfers in	-
10020	Operating transfers out	-
10030	Operating transfers from/to primary government	16,000
10040	Operating transfers from/to component unit	-
10070	Extraordinary items (net gain/loss)	-
10080	Special items (net gain/loss)	-
10093	Transfers between program and project-in	737
10094	Transfers between program and project-out	-
10100	Total Other Financing Sources (Uses)	16,737
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 11,610
	Memo Account Information	
11020	Required Annual Debt Principal Payments	-
11030	Beginning Equity	35,748
11040	Prior period adjustments, equity transfers and correction of errors	-
11170	Administrative fee equity	11,543
11180	Housing assistance payments equity	35,814
11190	Unit months available	828
11210	Number of unit month's leased	708

(Concluded)

See independent auditor's report

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Disaster Voucher Program
For the year ended December 31, 2012

14.871
Disaster
Voucher
Program (DVP)

Line	Account Description	Program (DVP)
	Assets:	
	Current Assets	
	Cash	
111	Cash - unrestricted	\$ -
112	Cash - restricted - modernization and dev	-
113	Cash - other restricted	-
114	Cash - tenant security deposits	-
115	Cash - restricted for payment of current liabilities	-
100	Total Cash	<u>-</u>
	Accounts and notes receivables	
121	Accounts receivable - PHA projects	-
122	Accounts receivable - HUD other projects	-
124	Accounts receivable - other government	-
125	Accounts receivable - miscellaneous	-
126	Accounts receivable - tenants - dwelling rents	-
126 1	Allowance for doubtful accounts - dwelling rents	-
126 2	Allowance for doubtful accounts - other	-
127	Notes, loans, and mortgages receivable - current	-
128	Fraud recovery	-
128 1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowances for uncollectible	<u>-</u>
	Current Investments	
131	Investments - unrestricted	-
132	Investments - restricted	-
135	Investments - restricted for payment of current liabilities	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143 1	Allowance for obsolete inventories	-
144	Interprogram due from	-
145	Assets held for sale	-
150	Total Current Assets	<u>-</u>
	Noncurrent Assets	
	Fixed Assets	
161	Land	-
162	Buildings	-
163	Furniture, equipment, and machinery - dwellings	-
164	Furniture, equipment, and machinery - administration	-
165	Leasehold improvements	-
166	Accumulated depreciation	-
167	Construction in progress	-
160	Total Fixed Assets, net of Accumulated Depreciation	<u>-</u>
171	Notes, loans, and mortgages receivable - non current	-
172	Notes, loans, and mortgages receivable - non current - past due	-
173	Grants receivable - non current	-
174	Other assets	-
176	Investments in joint ventures	-
180	Total Noncurrent Assets	<u>-</u>
190	Total Assets	<u>\$ -</u>

(Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Disaster Voucher Program
For the year ended December 31, 2012

Line	Account Description	Disaster Voucher Program (DVP)
Liabilities and Equity:		
Liabilities		
Current Liabilities		
311	Bank Overdraft	\$ -
312	Accounts payable less than or equal to 90 days	-
313	Accounts payable greater than 90 days	-
321	Accrued wage / payroll taxes payable	-
322	Accrued compensated absences - current portion	-
324	Accrued contingency liability	-
325	Accrued interest payable	-
331	Accounts payable - HUD PHA programs	-
332	Accounts payable - PHA projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342	Deferred revenues	-
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	-
344	Current portion of long-term debt - operating borrowings	-
345	Other current liabilities	-
346	Accrued liabilities - other	-
347	Interprogram due to	-
348	Loan liability - current	-
310	Total Current Liabilities	<u>-</u>
Noncurrent Liabilities		
351	Long-term debt, net of current - capital projects/mortgage revenue bonds	-
352	Long-term debt, net of current - operating borrowings	-
353	Noncurrent liabilities - other	-
354	Accrued compensated absences - noncurrent	-
355	Loan liability - noncurrent	-
356	FASB 5 Liabilities	-
357	Accrued pension and OPEB liabilities	-
350	Total noncurrent liabilities	<u>-</u>
300	Total Liabilities	<u>-</u>
Equity		
508 1	Invested in Capital Assets, Net of Related Debt	-
511 1	Restricted Net Assets	-
512	Undesignated Fund Balance/Retained Earnings	-
512 1	Unrestricted Net Assets	-
513	Total Equity / Net Assets	<u>-</u>
600	Total Liabilities and Equity / Net Assets	<u>\$ -</u>

(Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Disaster Voucher Program
For the year ended December 31, 2012

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

(Continued)

Town of Kentwood
Financial Data Schedule for PHA Number LA206 - Disaster Voucher Program
For the year ended December 31, 2012

<u>Line</u>	<u>Account Description</u>	<u>Disaster Voucher Program (DVP)</u>
	Protective Services	
95100	Protective services - labor	-
95200	Protective services - other contract costs	-
95300	Protective services - other	-
95500	Employee benefit contributions - protective services	-
95000	Total Protective Services	<u>-</u>
	General Expenses	
96110	Property insurance	-
96120	Liability insurance	-
96130	Workmen's compensation	-
96140	All other insurance	-
96100	Total Insurance Premiums	<u>-</u>
	Other General Expenses	
96500	Bad debt - mortgages	-
96600	Bad debt - other	-
96710	Interest expense	-
96800	Severance expense	-
96000	Total Other General Expenses	-
	Total Operating Expenses	<u>-</u>
97000	Excess Operating Revenue over Operating Expenses	<u>\$ -</u>
	Other Expenses	
97100	Extraordinary maintenance	\$ -
97200	Casualty losses - non-capitalized	-
97300	Housing assistance payments	-
97350	HAP portability-m	-
97400	Depreciation expense	-
97500	Fraud losses	-
97800	Dwelling units rent expense	-
90000	Total Expenses	<u>-</u>
	Other Financing Sources (Uses)	
10010	Operating transfers in	-
10020	Operating transfers out	-
10030	Operating transfers from/to primary government	-
10040	Operating transfers from/to component unit	-
10070	Extraordinary items (net gain/loss)	-
10080	Special items (net gain/loss)	-
10093	Transfers between program and project-in	-
10094	Transfers between program and project-out	(737)
10100	Total Other Financing Sources (Uses)	<u>(737)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (737)</u>
	Memo Account Information	
11020	Required Annual Debt Principal Payments	-
11030	Beginning Equity	6,281
11040	Prior period adjustments, equity transfers and correction of errors	(5,544)
11170	Administrative fee equity	-
11180	Housing assistance payments equity	-
11190	Unit months available	-
11210	Number of unit month's leased	-

(Concluded)

See independent auditor's report

Town of Kentwood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor, Pass-Through Grantor, Program Title	Federal CFDA Number	Pass Through Entity Identification Number	Federal Expenditures
United States Department of Housing & Urban Development Direct Program Section 8 Housing Choice Vouchers (Major Program)	14 871		\$ 310,329
United States Department of Housing & Urban Development Pass Through Program Administered thru Louisiana Housing Finance Agency Neighborhood Stabilization Program (Federal NSP Funds) Community Development Block Grants/State's Entitlement and Non-Entitlement Grants	14 228	BN-08DN-22-0001	10,670
Total United States Department of Housing & Urban Development			320,999
United States Department of Interior Pass Through Program Administered thru Louisiana Land & Water Conservation Fund Outdoor Recreation-Acquisition, Development, & Planning	15 916	22-00893	150,208
United States Department of Transportation Pass Through Program Administered thru Louisiana State Parks Division of Outdoor Recreation Recreational Trails Program	20 219	50-MF2-05B-01	93,942
United States Department of Agriculture Pass Through Program Administered thru Louisiana Department of Agriculture & Forestry Cooperative Forestry Assistance	10 664	720876366	3,414
Total Expenditures of Federal Awards			\$ 568,563

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the grant activity the Town of Kentwood and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See independent auditor's report



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

**The Honorable Harold J. Smith and
Members of the Board of Alderman
Town of Kentwood, Louisiana**

I 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 Town of Kentwood, Louisiana (the "Town") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated June 28, 2013

Internal Control Over Financial Reporting

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

My 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 findings and questioned costs, I identified certain deficiencies in internal control that I 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-1 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. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-2 and Finding 2012-4.

Town of Kentwood, Louisiana's Response to Findings

The Town's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subject to the auditing procedures applied in the audit of financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.

Sincerely,

BRANDY WESTCOTT, LLC



Brandy Westcott Garcia, CPA
Member

June 28, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**The Honorable Harold J. Smith and
Members of the Board of Alderman
Town of Kentwood, Louisiana**

Report on Compliance for Each Major Federal Program

I have audited, the Town of Kentwood's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2012. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town's compliance.

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers Program

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Vouchers as described in Finding 2012-5 for Special Tests and Provisions. Compliance with such requirements is necessary, in my opinion, for the Town, to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers Program

In my opinion, except for the noncompliance described in Basis for Qualified Opinion paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a *direct and material effect* the *Section 8 Housing Choice Vouchers program for the year ended December 31, 2012*

Other Matters

The Town's responses to the noncompliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered the Town's internal control over compliance with the types of requirements that could have a *direct and material effect* on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2012-6 and 2012-7 to be material weaknesses.

The Town's responses to the internal control findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sincerely,

BRANDY WESTCOTT, LLC

A handwritten signature in black ink that reads "B. Garcia, CPA". The signature is written in a cursive style and is positioned above a horizontal line.

Brandy Westcott Garcia, CPA
Member

June 28, 2013

**Town of Kentwood
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012**

Section I Summary of Auditor's Reports

Financial Statements

Type of auditor's report issued Unqualified

Internal Control over Financial Reporting

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? X yes no

Identification of Major Programs

CFDA Number(s)	Name of Federal Program (or Cluster)
14 871	US Department of Housing and Urban Development Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Is the auditee a low-risk auditee? yes X no

Section II Financial Statement Findings

Finding 2012-1 Management Override of Internal Controls (Material Weakness)

Criteria The Town maintains that as part of its internal control system over financial reporting, the following controls have been implemented specifically related to police fuel purchases

- 1 Use of the Fueltrac (Voyager Fleet Systems),
- 2 Review of fuel invoices prior to payment of the invoice Unusual items are routed to department heads for detailed review and investigation of such items, and
- 3 Budget to actual comparisons are performed regularly by the Mayor and Town's Financial Officer Unusual items are routed to department heads for detailed review and investigation of such items

Condition Budget to actual comparisons performed regularly identified police department fuel purchases as an unusual item The department head, the Town's Chief of Police, was notified immediately of the unusual item within his department Additionally, allegations of improper use of the Town's Fueltrac fuel cards were made by officers and were reported to the Town's Chief of Police According to the Town's Chief of Police (the "Chief"), he then began his investigation by reviewing the fuel invoices and monitoring fuel purchases

According to the Chief, he reviewed the 2012 fuel invoices and noted no unusual activity on the invoices However, a subsequent investigation performed by the Town's attorney and the procedures performed as part of the audit of the Town's 2012 basic financial statements identified unusual transactions as follows

- Instances of unusual fuel consumption,
- Incorrect mileage entries [some of which appeared to be the result of fuel card usage on a vehicle other than the vehicle assigned to that card (once done by the Police Chief)],
- Unusual and frequent oil and vehicle accessory purchases, and
- Purchases coded as "food" purchases on the invoices

Incorrect mileage entries skew the mileage and consumption numbers presented on the fuel invoice Using fuel cards outside of the assigned vehicle can also affect the mileage and consumption presented on the invoice and hinder a proper review of consumption as well as making it difficult to track oil and accessory purchases on each vehicle

There was no evidence provided that would support timely and proper identification and investigation by the Chief of the unusual fuel consumption, incorrect mileage entries, or the unusual and frequent oil and accessory purchases Food purchases appearing on the invoices were deemed by the Chief of Police to be automobile fluid purchases misrepresented as food on the invoice However, little evidence was provided that would support proper and timely identification or investigation by the Chief of these "food" transactions or that would support his determination that these items were misrepresented on the invoices

The following additional information was noted during auditing procedures that relate to purchases coded as "food" on fuel invoices

- The unit prices of all of these transactions noted during auditing procedure were found to be consistent with the pricing of a large percentage of items at the retail location from where the purchases were made Specifically, the unit prices were found to be consistent with the pricing of transmission and other automobile fluids as well as many food and beverage items,
- One particular month's purchases included a total number of items purchased that exceeded the

vehicle's oil or transmission fluid capacity measured in quarts,

- All 2012 purchases of non-fuel items from one particular retail store are coded as "FOOD" on the 2012 invoices, and
- All 2012 purchases of non-fuel items from this one particular retail store and that are coded as "food" were purchased by only one Town officer, per the 2012 fuel invoices

Finally, all receipts for purchases made on the fuel cards in 2012 were not maintained by the Chief. As such, only one receipt related to purchases coded as "food" in 2012 was able to be provided during auditing procedures. The following was noted regarding this particular purchase and the receipt provided. The odometer reading on the invoice did not agree to the odometer reading on the invoice for this purchase (10 mile difference). The receipt displayed the purchase of ATF (automatic transmission fluid) (quantity 3) while the invoice stated "FOOD" (quantity 3). However, the unit price on the receipt did not represent a unit price which would then extend to the total. Rather, it displayed the total for the entire quantity purchased as both the "price" and the extended "total". The unit price when calculated as the total per the receipt divided by the quantity purchased agreed to the invoice unit price. This unit price was found to be consistent with transmission fluid pricing within the store, but also consistent with other items in the store such as food and beverage items.

Cause: Failure of the Town's Chief of Police to perform timely and proper investigations of unusual police fuel transactions.

Effect: The failure to properly identify and investigate unusual fuel consumption by Town's Chief of Police, could result in the misappropriation of the Town's assets. Additionally, failure by the Chief to identify and investigate other unusual transactions on the fuel invoices, such as those discussed above, could also result in the misappropriation of the Town's assets.

Incorrect mileage entries at the time of purchase represent an override of the internal controls incorporated into the Fueltrac cards as well as the Town's internal controls over police fuel purchases, which could result in the misappropriation of the Town's assets.

Additionally, the lack of supporting documentation maintained by the Chief for the 2012 purchases coded as "food" on the invoices leaves these transactions as unsubstantiated and possibly improper and further demonstrates a failure to properly investigate unusual fuel transactions.

Finally, the failure of the Chief in identifying these transactions as unusual and possibly improper as well as his failure to investigate them properly and timely, represents a management override of internal controls over police fuel purchases.

The above described control deficiencies caused by management override of controls is considered a material weakness in operating effectiveness of the Town's internal controls over financial reporting.

Recommendation: The Town's Chief of Police should monitor fuel consumption and purchases regularly for his department. The Chief should maintain receipts for fuel card purchases. The Chief should perform timely and proper investigation of unusual fuel transactions and take disciplinary action as appropriate. Finally, the Chief should maintain documentation of such investigations and any and all actions taken as a result.

Management's Response: The Town's Chief of Police has begun maintaining fuel card receipts. He has begun using the receipts as well as activity reports as necessary to investigate unusual transactions on the fuel invoices. The Chief has communicated the importance of proper mileage entry to all of his officers and intends to follow up on exceptions and take disciplinary action as appropriate. Person Responsible for Resolution: Chief Greg Newton. Anticipated Date of Finding Resolution: July 1, 2013.

Finding 2012-2 Traffic Citations (Noncompliance)

Criteria Louisiana Revised Statute 32:398.1 requires that a record must be maintained for each citation book issued to officers and each citation contained therein. Additionally, Louisiana Revised Statute 32:398.2 outlines the legal and proper procedures for disposal of issued traffic citations. This statute requires the following traffic citations be returned to the chief administration officer: (1) A copy of every citation issued, and (2) All copies of every traffic citation which has been spoiled or upon which an entry has been made without having issued the citation.

Condition While the Town's police department maintains record of each ticket book issued and the citations therein at the time of issuance, the Town did not account for all ticket numbers thereafter. Procedures performed as part of the audit of the Town's 2012 basic financial statements audit procedures identified several tickets that were issued to officers as unaccounted for by the Town's Chief of Police and not processed through the court. The Chief of Police and the police clerk were unaware that the tickets were unaccounted for and had not been processed.

Cause The Town's police department did not have a written policy on traffic citation disposition and did not enforce the procedures outlined in the above referenced statutes.

Effect Noncompliance with the above referenced statute.

Recommendation The Town's Chief of Police should develop written procedures for traffic citations in accordance with state statute and monitor compliance with these procedures.

Managements Response The Town's Chief of Police is currently drafting written traffic citation procedures. Each officer will review a copy of the procedures and sign as acknowledgment of receipt and understanding of the procedures. The Town's Chief of Police will further monitor compliance with these procedures. Person Responsible for Resolution: Chief Greg Newton. Anticipated Date of Finding Resolution: July 30, 2013.

Finding 2012-3 Lack of Internal Controls Over Traffic Citations (Significant Deficiency)

Criteria A properly designed and implemented internal control system over financial reporting provides, among other things, reasonable assurance that financial data is accurate and complete and that Town's assets are properly safeguarded.

Condition The Town's police department did not have adequate internal controls surrounding traffic citations as demonstrated in Finding 2012-2.

Cause Failure to design and implement adequate internal controls.

Effect Failure to design and implement adequate internal controls over police citations could result in the misappropriation of the Town's assets and create inaccurate and incomplete financial data related to traffic citations and represents a significant deficiency in the design of the Town's internal control over financial reporting.

Recommendation The Town's Chief of Police should develop written procedures for traffic citations in accordance with state statute and monitor compliance with these procedures.

Managements Response The Town's Chief of Police is currently drafting written traffic citation procedures. Each officer will review a copy of the procedures and sign as acknowledgment of receipt and understanding of the procedures. The Town's Chief of Police will further monitor compliance with these procedures. Person Responsible for Resolution: Chief Greg Newton. Anticipated Date of Finding Resolution: July 30, 2013.

Finding 2012-4 Budget Control Compliance (Noncompliance)

Criteria Louisiana Revised Statute 39 1311 requires that total expenses and other uses must not exceed budgeted expenses and other uses by 5% or more and revenues and other sources must meet budgeted revenue and other sources by 5% or less

Condition The Town's revenues and other sources in the General Fund failed to meet budgeted revenue and other sources by an amount greater than 5%

Cause The Town budgeted the receipt of grant funds related to the recreation park capital project within the General Fund. However, the funds were accounted for separately within a Capital Project Fund for financial reporting purposes, causing the variance in the General Fund budget

Effect Noncompliance with the above references statute

Recommendation The budget should be amended when budget variances are greater than 5% are evident

Managements Response Management will continue to closely monitor the budget for necessary budget amendments, and grants that will be reported separately for financial reporting purposes will be budgeted separately. Person Responsible for Resolution Michelle Anthony. Anticipated Date of Finding Resolution December 31, 2013

Section III Federal Award Findings and Questioned Costs

Finding 2012-5 Housing Choice Vouchers Program (Noncompliance)

Federal Program Section 8 Housing Choice Vouchers CFDA 14 871 for the Federal Award Year 2012 received from the Department of Housing and Urban Development

Compliance Requirements Special Tests and Provisions

Criteria See each item below

- ◆ **Rent Reasonableness** - The Town's administrative plan must state the method used to determine that the rent to owner is reasonable. The Town must determine that the rent to owner is reasonable at the time of initial leasing. Also, the Town must determine reasonable rent during the term of the contract (a) before any increase in rent to owner, and (b) at the HAP anniversary date if there is a five percent decrease in published Fair Market Rent in effect 60 days before the HAP contract anniversary. The Town must also maintain records to document the basis for the determination that the rent to owner is a reasonable rent (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507)

- ◆ **Housing Quality Control Standards Inspections** - The Town must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS). The Town must conduct quality control re-inspections (which must be performed on a sample of units inspected within the preceding three months). The Town must prepare a unit inspection report (24 CFR sections 982.158(d), 982.405(b), HCV GB, p. 10-32)

Condition See each item below

- ◆ **Rent Reasonableness** - Due to a lack of comparable market data, the Town was not able to properly determine rent reasonableness prior to 5/1/12. On 5/1/12, the Town was able to obtain comparable

market data from Tangipahoa Parish and immediately began using this data in determining rent reasonableness. As such the following items were noted during testing procedures performed:

During the review of 15 family files, 2 files required a rent reasonableness determination during the current year (prior to 5/1/2012). In both instances, there was no evidence in the file of a rent reasonableness determination.

Additionally, of the 15 family files reviewed, 11 files included contract dates beginning in the prior year, but ending in the current year. Although prior year procedures were not specifically tested in the current year, current year findings as well as prior year findings indicate that the rent to owner in these family files, as well as all family files with contracts prior to 5/1/12 were not properly determined reasonable in the prior year due to a lack of comparable market data as identified in the previous two audits.

- ◆ **Housing Quality Control Standards Inspections** – During the review of 15 family files, it was noted that one family file included a current year incomplete inspection checklist as it relates to lead based paint. During the review of the quality control re-inspections performed, it was noted that while quality control re-inspections were performed, the units selected for testing were not selected from inspections occurring only within the preceding three months. Of the six units selected for quality control re-inspections, three were inspected over three months prior.

Cause See each item below

- ◆ **Rent Reasonableness** - Due to a lack of comparable market data, the Town was not able to properly determine rent reasonableness prior to 5/1/12. On 5/1/12, the Town was able to obtain comparable market data from Tangipahoa Parish and immediately began using this data in determining rent reasonableness.
- ◆ **Housing Quality Control Standards Inspections** – The Town was not following all required and established procedures for administering the program or adhering to the internal controls in place within its internal control system due to a misunderstanding of a specific aspect of the procedure. The Town was having quality control re-inspections performed on a sample of units which had been recertified within the preceding three months rather than inspected in the preceding three months. Because there is a time lapse between inspection date and recertification date, some of the sampled inspections had occurred prior to the three preceding months.

Context Total federal awards for the Section 8 Housing Choice Vouchers program was \$310,329 or 55% of total federal awards.

Effect The Town was not in compliance with the above referenced Special Tests and Provisions compliance requirements.

- **Questioned Costs** None

Recommendation The Town has subsequently addressed its procedures related to Rent Reasonableness and should continue to monitor this compliance requirement. The Town should ensure that quality control re-inspections are performed only on units inspected within the preceding three months.

Management's Response During 2012, the Town was able to obtain comparable market data from and immediately began using this data in rent reasonableness determinations. The Town has sought and provided additional training related to the Section 8 Housing Choice Vouchers program and will continue to do so. The

Town will continue to monitor compliance requirements and will ensure that quality control re-inspections are performed only on units inspected within the preceding three months Person Responsible for Resolution Evelyn Williams Anticipated Date of Finding Resolution July 1, 2013

Finding 2012-6 Ineffective Internal Control Design (Material Weakness)

Federal Program Section 8 Housing Choice Vouchers program CFDA 14 871 for the Federal Award Year 2012 received from the Department of Housing and Urban Development

Compliance Requirements Reporting

Criteria A properly designed and implemented internal control system over federal programs provides, among other things, reasonable assurance that transactions are executed in compliance with laws and regulations affecting the program and that they are properly recorded and accounted for to demonstrate such compliance

Condition While performing tests of the Town's internal controls over reporting compliance, specifically reporting within the VMS system the following items were noted The assistant clerk preparing the VMS worksheet used to compile all information necessary for entry into the VMS system has little to no experience with the S8HCV program or the VMS reporting requirements Additionally, it was noted that the VMS worksheet is not being completed timely, accurately, or completely, nor is it being reviewed adequately prior to its use in VMS reporting Finally, it was noted that the VMS worksheet excludes information required in VMS reporting, such as vouchers not under contract, fraud recovery, or other income earned

Cause Certain internal control activities implemented as part of the internal control system over reporting within the Section 8 Housing Choice Vouchers program (S8HCV) have not been designed effectively (Specific Compliance Requirement – Reporting – Financial Reporting Requirement – HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement*, as submitted via the VMS)

Context Total federal awards for the Section 8 Housing Choice Vouchers program was \$310,329 or 55% of total federal awards

Effect The ineffectively designed control activities without adequate compensating controls is considered a material weakness in the design of internal controls over the Section 8 Housing Choice Vouchers program's reporting requirement (Specific Compliance Requirement – Reporting – Financial Reporting Requirement – HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement*, as submitted via the VMS)

Questioned Costs None

Recommendation The Town should redesign its internal controls over the S8HCV program reporting requirement (Specific Compliance Requirement – Reporting – Financial Reporting Requirement – HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement*, as submitted via the VMS) It is recommended that the financial information required should be provided to the Housing Director by the Town's Financial Officer after the month's records are complete and the General Ledger closed for that month The Housing Director should then review and update, as necessary, her voucher and other program information for the month Finally, the Housing Director should enter all information each month into the VMS reporting system

Management's Response Management concurs with the above recommendation and is currently redesigning its VMS reporting process and internal controls activities included in and surrounding that process. Person Responsible for Resolution Evelyn Williams. Anticipated Date of Finding Resolution July 1, 2013

Finding 2012-7 Internal Control Operating Ineffectiveness (Material Weakness)

Federal Program Section 8 Housing Choice Vouchers program CFDA 14 871 for the Federal Award Year 2012 received from the Department of Housing and Urban Development

Compliance Requirements Special Tests and Provisions

Criteria A properly designed and implemented internal control system over federal programs provides, among other things, reasonable assurance that transactions are executed in compliance with laws and regulations affecting the program and that they are properly recorded and accounted for to demonstrate such compliance

Condition A certain and significant internal control activity, implemented as part of the Town's internal control system Special Tests and Provisions was not operating effectively (Specific Compliance Requirement – Special Tests and Provisions – Housing Quality Standard Inspections) This is demonstrated in Finding 2012-5

Cause The Town was not following all required and established procedures within its internal control system due to a misunderstanding of a specific aspect of the procedure. The Town was having quality control re-inspections performed on a sample of units which had been recertified within the preceding three months rather than inspected in the preceding three months. Because there is a time lapse between inspection date and recertification date, some of the sampled inspections had occurred prior to the three preceding months

Context Total federal awards for the Section 8 Housing Choice Vouchers program was \$310,329 or 55% of total federal awards

Effect Operating ineffectiveness of a certain and significant internal control activity without adequate compensating controls is considered a material weakness in the operation of the internal control system over the Section 8 Housing Choice Vouchers program's Special Tests and Provisions requirement (Specific Compliance Requirement – Special Tests and Provisions – Housing Quality Standard Inspections)

Questioned Costs None

Recommendation The Town should follow all required and established procedures for administering the program and adhere to the internal controls in place within its internal control system. The Town should ensure that quality control re-inspections are performed only on units inspected within the preceding three months

Management's Response The Town has sought and provided additional training related to the Section 8 Housing Choice Vouchers Program and will continue to do so. The Town will continue to monitor compliance requirements and will ensure that quality control re-inspections are performed only on units inspected within the preceding three months. Person Responsible for Resolution Evelyn Williams. Anticipated Date of Finding Resolution Currently resolved

Town of Kentwood
Schedule of Prior Year Findings and Questioned Costs
For The Year Ended December 31, 2012

Section I Internal Control and Compliance Material to the Financial Statements

Finding 2011-1 LHFA Required Insurance Coverage (Noncompliance)

Federal Program Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii CFDA 14 228 for the Federal Award Year 2011 received from the Department of Housing and Urban Development – Passed through the Louisiana Housing Finance Agency

Compliance Requirements NA

Criteria The Sub Recipient Grant Agreement entered into between the Town of Kentwood and the Louisiana Housing Finance Agency (LHFA) contains certain insurance requirements as follows Section IV Subsection F requires that the subrecipient carry sufficient insurance coverage to protect assets acquired and/or improved with NSP funds under the agreement, from loss due to theft, fraud, and/or undue physical damage Subrecipients and all contractors and subcontractors are required to carry commercial general liability coverage with limits of not less than \$1,000,000 for any one occurrence If a general aggregate limit is used, it should be twice the occurrence limit Finally, the LHFA must be named as an "Additional Insured" on all insurance policies

Condition While the town has required and provided evidence of the required subcontractor insurance coverage, the Town's own commercial general liability policy in effect at December 31, 2011 has limits of \$500,000 for each occurrence and LHFA is not included as an "Additional Insured"

Cause The general commercial liability coverage of the town is below the required limits as higher coverage limits were not available from the insurance provider

Context Total federal awards for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii was \$151,214 or 28% of total federal awards

Effect The Town is not in compliance with the above section of the subrecipient grant agreement

Questioned Costs None

Recommendation The Town should acquire and maintain the required insurance coverage

Current Year Status Resolved

Finding 2011-2 Budget Control Compliance (Noncompliance)

Criteria Louisiana Revised Statute 39 1311 requires that total expenses and other uses must not exceed budgeted expenses and other uses by 5% or more and revenues and other sources must meet budgeted revenue and other sources by 5% or less

Condition The Town's revenues and other sources in the General Fund failed to meet budgeted revenue and other sources by an amount greater than 5%

Cause The Town budgeted the receipt of funds from an LHFA grant within the General Fund. However, the funds were accounted for separately within a Capital Project Fund for financial reporting purposes, causing the variance in the General Fund budget.

Effect Noncompliance with the above references statute.

Recommendation The budget should be amended when budget variances greater than 5% are evident.

Current Year Status LHFA funds were separately budgeted in 2012. However, the finding is repeated in 2012 related to funds received on the recreational park project.

Section II Internal Control and Compliance Material to Federal Awards

Finding 2011-3 Housing Choice Vouchers Program (Noncompliance)

Federal Program Section 8 Housing Choice Vouchers Program CFDA 14 871 for the Federal Award Year 2011 received from the Department of Housing and Urban Development.

Compliance Requirements Eligibility, Reporting, and Special Tests and Provisions.

Criteria The Town must as a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the Town to verify income eligibility (24 CFR 5 230, 5 609, 982 516). For both income examination and reexamination, obtain and document in the family file third party verification of (1) reported family income, (2) the value of assets, (3) expenses related to deductions from annual income and (4) other factors that affect the determination of adjusted income (24 CFR 982 516). Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the family. The verification documents must be supplied directly to the independent source by the PHA and returned directly to the PHA from the independent source (PIH 2004-11).

The Town must determine income eligibility and calculate the tenant's rent payment using documentation from third-party verification in accordance with 24 CFR part 5 subpart F (24 CFR 5 601 and 24 CFR 982 201, 982 515, 982 516). The Town must reexamine family income and compositions at least once every 12 months and adjust the tenant rent and HAP as necessary using third party verification (24 CFRS 982 516).

The Town may not give approval for the family of the assisted tenancy, or execute a HAP contract, until the PHA has determined that all the following meet program requirements: (1) The unit is eligible, (2) The unit has been inspected by the PHA and passes HQS, (3) The lease includes the tenancy addendum, (4) The rent to owner is reasonable, and (5) At the time a family initially receives tenant-based assistance for occupancy of a dwelling unit, and where the gross rent of the unit exceeds the applicable payment standard for the family, the family share does not exceed 40 percent of the family's monthly adjusted income (24 CFR 305).

The Town must pay a monthly HAP on behalf of the family calculated using the proper payment standard for the family or unit, the proper utility allowance for the unit and the proper rent to owner after determination of rent reasonableness and reflected on the HAP contract (24 CFR subpart J and K).

The Town is required to submit Form 50058 electronically each time it completes an admission, annual

reexamination, and interim reexamination, portability move in, and other changes of unit or family. Several line items on this form must agree to documentation in the family file (24 CFR part 908 and 24 CFR 982.158)

The Town is required to maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, must prepare and maintain a unit inspection report, maintain a copy of the executed lease, HAP contract, and application from the family, maintain records that provide income, racial, ethnic, gender and disability status data on applicant, HUD required reports, lead based paint records as required by Part 35, subpart B of title 24, records to document the basis for the PHA determination that rent to owner is a reasonable rent (initially and during the term of the contract) (24 CFR 982.158)

Condition: During testing procedures performed on 19 family files, the following was noted:

- 2 files in which one member of the household was over 18 years of age at the time of tenancy, but failed to sign the HUD Release of Information form,
- 7 files in which review of documents was used as third party verification without any evidence of the use of the Town's Request for Employment Verification Form or any other attempt to obtain third party written verification,
- 1 file in which an 18 year old household member was allowed the dependent deduction without evidence of third party verification of full-time student status,
- 1 file in which the Zero Income Worksheet and Enterprise Income Verification (EIV) report used as verification of income were dated after the HAP contract with no additional evidence of third party verification of income present at the time the HAP contract was executed,
- 1 file in which the EIV report showed no evidence that the Tenant's husband was included in the EIV information,
- 2 files in which family income used on the 50058 to determine eligibility and calculate the tenant's rent payment did not agree to the third party verification present in the file,
- 6 files that included an incomplete HAP contract - no utility information on the property was completed,
- 9 files included 50058 reports in which the date of last passed inspection did not agree to the latest inspection report date noted "passed" in the family file,
- 13 files were affected by the following - utility allowances were not calculated properly for any tenant before May 2011 because the 2010 Utility Allowance Schedule was not received or used in the calculations. In each instance noted within the 13 files, it was also noted that standard utilities present in the properties were not included in the utility allowance calculation. As such the utility allowance reported on all 50058 reports before May 2011 was incorrectly calculated,
- 2 files included a rental increase with no evidence in the file of a rent reasonableness determination,
- 1 file which included no evidence of a rent reasonableness determination at initial leasing,
- 5 files requiring a rent reasonableness determination in which one was performed and documented included comparisons to assisted properties,
- 4 files included inspection reports with Lead Based Paint sections marked "NA" and no inspection procedures performed, despite children younger than 6 years old housed in units built prior to 1978. These files contained Requests for Tenancy in which the lead based certification was marked "NA" due to owner advised remodeling done subsequent to 1978,
- 1 file included no documented evidence of a working smoke detector,
- 5 files included a lease that did not include the rental amount, and

- 1 file included a lease that was not signed by the tenant and that was signed by the owner subsequent to the effective date of the lease and the HAP contract

Cause During the testing procedures performed on 19 family files, the above items were noted. Approximately 80% of the items noted occurred during the time period before the prior year audit findings were released (June 2011). Approximately 20% of the noted items occurred subsequent to the issuance of the prior year audit findings and related to only four specific items of note.

The cause of items noted prior to the release of the prior year audit findings is unchanged from the prior year, the Town had not adequately designed its internal control system over the Section 8 Housing Choice Vouchers Program in order to ensure compliance with HUD, and the Town was not following all established procedures for administering the program or adhering to the internal control activities in place within its internal control system.

The cause of items noted subsequent to the release of the prior year audit findings is as follows. The Town was not adhering to certain internal control activities in place within its internal control system due to a misunderstanding of certain specific Section 8 Housing Choice Vouchers Program compliance requirements and certain specific aspects of the controls in place. In addition, the Town was unable to adequately adjust its procedures regarding Rent Reasonableness due to lack of comparable market data readily available.

Context Total federal awards for the Housing Choice Vouchers Program was \$336,489 or 63% of total federal awards.

Effect The Town is not in compliance with the above referenced federal guidelines.

Questioned Costs None

Recommendation The Town should adequately address its deficiency in procedures related to Rent Reasonableness. The Town should also address the deficiency in its internal control system, as discussed below in Finding 2011-4, which is allowing such instances of noncompliance to occur and not be detected and corrected.

Current Year Status Partially Resolved except 5/1/12, the Town was able to obtain detailed market data from Tangipahoa Parish and immediately began using this data in determining rent reasonableness. Prior to that, no comparable market data was available. The Town was having quality control re-inspections performed on a sample of units which had been recertified within the preceding three months rather than inspected in the preceding three months. Because there is a time lapse between inspection date and recertification date, some of the sampled inspections had occurred prior to the three preceding months. See current year Finding 2012-5.

Finding 2011-4 Management Override of Controls (Material Weakness)

Federal Program Section 8 Housing Choice Vouchers Program CFDA 14 871 for the Federal Award Year 2011 received from the Department of Housing and Urban Development.

Compliance Requirements All

Criteria A properly designed and implemented internal control system over federal programs provides, among other things, reasonable assurance that transactions are executed in compliance with laws and regulations affecting the program and that they are properly recorded and accounted for to demonstrate such compliance

Condition Certain internal control activities implemented as part of the internal control system over the Section 8 Housing Choice Vouchers Program in order to achieve compliance objectives outlined by the entity are not operating effectively This is demonstrated in Finding 2011-3

Cause Management override of implemented controls due to a lack of detailed understanding of specific items within the compliance requirements and within the internal control activities

Context Total federal awards for the Housing Choice Vouchers Program was \$336,489 or 63% of total federal awards

Effect Management override of controls is considered a material weakness in the operation of the internal control system over the federal program

Questioned Costs None

Recommendation The Town should provide the Housing Director with additional training regarding compliance requirements of the Section 8 Housing Choice Vouchers Program, and the laws and regulations affecting the program so that she might better understand and operate certain control activities in place at the Town

Current Year Status Resolved

Section III Management Letter

No Section III Findings

This schedule was prepared by management