

CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2014

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	10
Reconciliation of the governmental funds balance sheet to the statement of net position	11
Statement of revenues, expenditures, and changes in fund balances- governmental funds	12
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	13
Statement of net position - proprietary funds	14
Statement of revenues, expenses, and changes in fund net position- proprietary funds	15
Statement of cash flows - proprietary funds	16-17
Notes to basic financial statements	18-44
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	46
Sales Tax Fund	47
Notes to Budgetary Comparison Schedules	48
OTHER SUPPLEMENTARY INFORMATION	
OTHER FINANCIAL INFORMATION	
Nonmajor Governmental Funds -	
Combining balance sheet	53
Combining statement of revenues, expenditures, and changes in fund balances	54
Schedule of number of utility customers and rates (unaudited)	55
Comparative departmental analysis of revenues and expenses - utility fund	56

TABLE OF CONTENTS (continued)

	<u>Page</u>
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independence Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	58-59
Schedule of current and prior year audit findings and management's corrective action plan	60-66

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Retired  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan, Louisiana's basic financial statements. The other supplementary information on pages 53 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated November 5, 2014 on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kaplan, Louisiana's internal control over financial reporting and compliance.

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

Abbeville, Louisiana  
November 5, 2014

## **BASIC FINANCIAL STATEMENTS**

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

CITY OF KAPLAN, LOUISIANA

Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and interest-bearing deposits	\$ 1,418,979	\$ 2,559,576	\$ 3,978,555
Receivables, net	174,815	965,254	1,140,069
Internal balances	14,600	8,401	23,001
Due from other governmental units	136,079	-	136,079
Restricted assets:			
Cash and interest-bearing deposits	-	589,157	589,157
Capital assets, net	<u>7,910,432</u>	<u>11,816,462</u>	<u>19,726,894</u>
Total assets	<u>9,654,905</u>	<u>15,938,850</u>	<u>25,593,755</u>
LIABILITIES			
Accounts and other payables	319,910	325,980	645,890
Compensated absences payable	9,126	35,671	44,797
Internal balances	23,001	-	23,001
Customer deposits payable	-	354,580	354,580
Accrued interest	4,675	5,353	10,028
Long-term liabilities:			
Due within one year	116,875	110,000	226,875
Due in more than one year	<u>242,000</u>	<u>1,489,000</u>	<u>1,731,000</u>
Total liabilities	<u>715,587</u>	<u>2,320,584</u>	<u>3,036,171</u>
NET POSITION			
Net investment in capital assets	7,546,882	10,212,109	17,758,991
Restricted for debt service	179,444	119,224	298,668
Unrestricted	<u>1,212,992</u>	<u>3,286,933</u>	<u>4,499,925</u>
Total net position	<u>\$ 8,939,318</u>	<u>\$ 13,618,266</u>	<u>\$ 22,557,584</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Activities  
For the Year Ended June 30, 2014

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 958,585	\$ 196,932	\$ -	\$ 14,016	\$ (747,637)	\$ -	\$ (747,637)
Public safety:							
Police	1,011,474	32,229	82,000	310,440	(586,805)	-	(586,805)
Fire	405,825	-	65,746	-	(340,079)	-	(340,079)
Streets	474,364	-	-	-	(474,364)	-	(474,364)
Culture and recreation	46,056	-	-	-	(46,056)	-	(46,056)
Interest on long-term debt	17,855	-	-	-	(17,855)	-	(17,855)
Total governmental activities	<u>2,914,159</u>	<u>229,161</u>	<u>147,746</u>	<u>324,456</u>	<u>(2,212,796)</u>	<u>-</u>	<u>(2,212,796)</u>
Business-type activities:							
Electric	3,409,593	5,091,417	-	-	-	1,681,824	1,681,824
Gas	743,284	760,080	-	-	-	16,796	16,796
Water	503,778	482,715	-	-	-	(21,063)	(21,063)
Sewerage	564,285	488,336	-	-	-	(75,949)	(75,949)
Interest on long-term debt	59,675	-	-	-	-	(59,675)	(59,675)
Total business-type activities	<u>5,280,615</u>	<u>6,822,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,541,933</u>	<u>1,541,933</u>
Total	<u>\$ 8,194,774</u>	<u>\$ 7,051,709</u>	<u>\$ 147,746</u>	<u>\$ 324,456</u>	<u>(2,212,796)</u>	<u>1,541,933</u>	<u>(670,863)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					78,745	-	78,745
Property taxes, levied for bond retirement					114,054	-	114,054
Sales and use taxes, levied for general purposes					616,443	-	616,443
Franchise taxes					30,157	-	30,157
Beer taxes					11,029	-	11,029
Interest and investment earnings					3,483	7,700	11,183
Miscellaneous					31,951	30,821	62,772
Gain (loss) on disposal of capital assets					(45,019)	-	(45,019)
Transfers					1,719,256	(1,719,256)	-
Total general revenues and transfers					<u>2,560,099</u>	<u>(1,680,735)</u>	<u>879,364</u>
Change in net assets					347,303	(138,802)	208,501
Net position, July 01, 2013					<u>8,592,015</u>	<u>13,757,068</u>	<u>22,349,083</u>
Net position, June 30, 2014					<u>\$ 8,939,318</u>	<u>\$ 13,618,266</u>	<u>\$ 22,557,584</u>

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

**FUND FINANCIAL STATEMENTS (FFS)**

## **FUND DESCRIPTIONS**

### **General Fund**

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

### **Special Revenue Fund**

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

### **Sales Tax Fund**

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

### **Enterprise Fund**

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

### **Utility Fund -**

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

CITY OF KAPLAN, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 25,864	\$ 713,123	\$ 211,786	\$ 950,773
Receivables:				
Due from other funds	48,100	100	3,244	51,444
Due from other governmental entities	26,857	108,947	275	136,079
Accrued interest receivable	-	1,564	97	1,661
Other receivables	<u>33,856</u>	<u>-</u>	<u>-</u>	<u>33,856</u>
Total assets	<u>\$ 134,677</u>	<u>\$ 823,734</u>	<u>\$ 215,402</u>	<u>\$1,173,813</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,148	\$ 9,390	\$ 1,318	\$ 42,856
Contract payable	28,675	-	-	28,675
Salaries payable	35,803	-	-	35,803
Compensated absences payable	9,126	-	-	9,126
Due to other funds	<u>11,244</u>	<u>25,000</u>	<u>600</u>	<u>36,844</u>
Total liabilities	<u>116,996</u>	<u>34,390</u>	<u>1,918</u>	<u>153,304</u>
Fund balances:				
Restricted	-	789,344	213,484	1,002,828
Unassigned	<u>17,681</u>	<u>-</u>	<u>-</u>	<u>17,681</u>
Total fund balances	<u>17,681</u>	<u>789,344</u>	<u>213,484</u>	<u>1,020,509</u>
Total liabilities and fund balances	<u>\$ 134,677</u>	<u>\$ 823,734</u>	<u>\$ 215,402</u>	<u>\$1,173,813</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2014

Total fund balances for governmental funds at June 30, 2014		\$ 1,020,509
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 114,547	
Building, net of \$815,957, accumulated depreciation	2,150,357	
Infrastructure, net of \$5,466,709, accumulated depreciation	5,189,915	
Equipment, net of \$1,877,141, accumulated depreciation	<u>455,613</u>	7,910,432
Long-term liabilities at June 30, 2014:		
Capital lease payable	(29,875)	
Bonds payable	(329,000)	
Accrued interest payable	<u>(4,675)</u>	(363,550)
Net position of the Group Insurance Self - Insurance Internal Service Fund		<u>371,927</u>
Total net position of governmental activities at June 30, 2014		<u>\$ 8,939,318</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Governmental Funds  
For the Year Ended June 30, 2014

	General	Sales Tax	Other Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 78,745	\$ 616,443	\$ 114,054	\$ 809,242
Licenses and permits	227,089	-	-	227,089
Intergovernmental	402,072	-	90,202	492,274
Fines and forfeits	24,240	-	3,946	28,186
Interest income	-	2,601	882	3,483
Miscellaneous	30,833	-	-	30,833
Total revenues	<u>762,979</u>	<u>619,044</u>	<u>209,084</u>	<u>1,591,107</u>
<b>Expenditures:</b>				
Current -				
General government	678,238	233,378	3,016	914,632
Public safety:				
Police	910,824	-	3,348	914,172
Fire	252,380	-	54,880	307,260
Streets, bridges, and drainage	409,341	-	-	409,341
Culture and recreation	30,358	-	2,029	32,387
Capital outlay	492,892	176,018	59,450	728,360
Debt service -				
Principal retirement	-	30,712	81,000	111,712
Interest and fiscal charges	-	2,012	17,106	19,118
Total expenditures	<u>2,774,033</u>	<u>442,120</u>	<u>220,829</u>	<u>3,436,982</u>
(Deficiency) excess of revenues over expenditures	<u>(2,011,054)</u>	<u>176,924</u>	<u>(11,745)</u>	<u>(1,845,875)</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,942,959	-	-	1,942,959
Transfers out	-	(213,898)	(11,000)	(224,898)
Total other financing sources (uses)	<u>1,942,959</u>	<u>(213,898)</u>	<u>(11,000)</u>	<u>1,718,061</u>
Net changes in fund balances	(68,095)	(36,974)	(22,745)	(127,814)
Fund balances, beginning	<u>85,776</u>	<u>826,318</u>	<u>236,229</u>	<u>1,148,323</u>
Fund balances, ending	<u>\$ 17,681</u>	<u>\$ 789,344</u>	<u>\$ 213,484</u>	<u>\$ 1,020,509</u>

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

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014

Total net changes in fund balances at June 30, 2014 per  
Statement of Revenues, Expenditures and Changes in Fund Balances \$ (127,814)

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

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

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 728,360	
Depreciation expense for the year ended June 30, 2014	<u>(265,563)</u>	462,797

Effect of disposal of capital assets is to decrease net position.		(48,900)
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Governmental funds report bonded debt repayments as expenditures.  
However, this expenditure does not appear in the statement of activities  
since the payment is applied against the bond payable balance on the  
statement of net position

113,286

Less: net revenue (expense) of the Internal service funds is reported with  
governmental activities.

(53,329)

Difference between interest on long-term debt on modified accrual basis  
versus interest on long-term debt on accrual basis

1,263

Total changes in net position at June 30, 2014 per Statement of Activities		<u>\$ 347,303</u>
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The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 2,559,576	\$ 468,206
Receivables:		
Accounts, net of allowance for uncollectible of \$490,781	519,401	-
Unbilled utility receivables	439,243	-
Accrued interest receivable	2,904	1,350
Due from other funds	8,401	-
Other	<u>3,706</u>	<u>137,947</u>
Total current assets	<u>3,533,231</u>	<u>607,503</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits	589,157	-
Capital assets, net of accumulated depreciation	<u>11,816,462</u>	<u>-</u>
Total noncurrent assets	<u>12,405,619</u>	<u>-</u>
Total assets	<u>15,938,850</u>	<u>607,503</u>
LIABILITIES		
Current liabilities:		
Accounts payable	316,506	-
Salaries payable	9,474	-
Compensated absences payable	35,671	-
Claims payable	-	212,576
Due to other funds	-	23,000
Payable from restricted assets -		
Revenue bonds, net of deferred amount on refunding	110,000	-
Accrued interest payable	<u>5,353</u>	<u>-</u>
Total current liabilities	<u>477,004</u>	<u>235,576</u>
Noncurrent liabilities:		
Customers' deposits payable	354,580	-
Revenue bonds, net of deferred amount on refunding	<u>1,489,000</u>	<u>-</u>
Total noncurrent liabilities	<u>1,843,580</u>	<u>-</u>
Total liabilities	<u>2,320,584</u>	<u>235,576</u>
NET POSITION		
Net investment in capital assets	10,212,109	-
Restricted for debt service	119,224	-
Unrestricted	<u>3,286,933</u>	<u>371,927</u>
Total net position	<u>\$ 13,618,266</u>	<u>\$ 371,927</u>

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

CITY OF KAPLAN, LOUISIANA

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Year Ended June 30, 2014

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>                    </u>	<u>                    </u>
Operating revenues:		
Charges for services	\$ 6,822,548	\$ 528,917
Operating expenses:		
Electricity department expenses	3,338,776	-
Gas department expenses	684,470	-
Water department expenses	368,347	-
Sewerage department expenses	255,443	-
Depreciation expense	573,904	-
Self insurance expenses	-	584,998
Total operating expenses	<u>5,220,940</u>	<u>584,998</u>
Operating income (loss)	<u>1,601,608</u>	<u>(56,081)</u>
Nonoperating revenues (expenses):		
Interest income	7,700	1,557
Franchise fee	30,821	-
Interest expense	<u>(59,675)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(21,154)</u>	<u>1,557</u>
Income (loss) before contributions and transfers	<u>1,580,454</u>	<u>(54,524)</u>
Other financing sources (uses):		
Transfers in	224,898	1,195
Transfers out	<u>(1,944,154)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,719,256)</u>	<u>1,195</u>
Change in net position	(138,802)	(53,329)
Net position, beginning	<u>13,757,068</u>	<u>425,256</u>
Net position, ending	<u>\$ 13,618,266</u>	<u>\$ 371,927</u>

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

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>        </u>	<u>        </u>
Cash flows from operating activities:		
Receipts from customers	\$ 6,905,022	\$ -
Receipts from interfund services provided	-	390,970
Payments to suppliers	(3,974,904)	(405,369)
Payments to employees	<u>(735,197)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>2,194,921</u>	<u>(14,399)</u>
Cash flows from noncapital financing activities:		
Franchise fees	30,821	-
Cash received from other funds	-	23,000
Meter deposits, net of refunds	8,631	-
Transfers from other funds	224,898	1,195
Transfers to other funds	<u>(1,944,154)</u>	<u>-</u>
Net cash (used) provided by noncapital financing activities	<u>(1,679,804)</u>	<u>24,195</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds and notes	(106,000)	-
Interest and fiscal charges paid on bonds	(59,675)	-
Acquisition of capital assets	<u>(62,285)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(227,960)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds of investments and interest-bearing deposits with maturity in excess of ninety days	2,357,577	435,092
Purchase of investments and interest-bearing deposits with maturity in excess of ninety days	(2,358,483)	(435,092)
Interest on investments	<u>7,700</u>	<u>1,557</u>
Net cash provided by investing activities	<u>6,794</u>	<u>1,557</u>
Net increase in cash and cash equivalents	293,951	11,353
Cash and cash equivalents, beginning of period	<u>496,299</u>	<u>21,761</u>
Cash and cash equivalents, end of period	<u>\$ 790,250</u>	<u>\$ 33,114</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows  
 Proprietary Funds (continued)  
 For the Year Ended June 30, 2014

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	<u>        </u>	<u>        </u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$1,601,608	\$ (56,081)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	573,904	-
(Increase) decrease in current assets		
Accounts receivable, net	56,321	-
Unbilled utility receivables	26,153	-
Stop loss receivable	-	(137,947)
Increase (decrease) in current liabilities		
Accounts payable	(43,031)	-
Salaries payable	608	-
Claims in process	-	179,629
Compensated absences payable	<u>(20,642)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$2,194,921</u>	<u>\$ (14,399)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash and interest-bearing deposits - unrestricted	\$2,281,904	\$ 456,853
Cash and interest-bearing deposits - restricted	571,972	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,357,577)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>496,299</u>	<u>21,761</u>
Cash and cash equivalents, end of period -		
Cash and interest-bearing deposits - unrestricted	2,559,576	468,206
Cash and interest-bearing deposits - restricted	589,157	-
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(2,358,483)</u>	<u>(435,092)</u>
Total cash and cash equivalents	<u>790,250</u>	<u>33,114</u>
Net increase	<u>\$ 293,951</u>	<u>\$ 11,353</u>

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, The Financial Reporting Entity, establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the foregoing criteria, the following governmental organizations are not considered part of the City and are thus excluded from the accompanying financial statements for the reasons noted:

The Kaplan Housing Authority was chartered by the City, and its Board of Directors was appointed by the Mayor and City Council. However, the City's oversight responsibilities in the management of operations and financial accountability are remote.

The City of Kaplan has no authority over nor is it involved with the record keeping of the Kaplan Volunteer Fire Department.

The Kaplan City Court is operated under the directorship of the Kaplan City Judge who is an elected public official. Revenues are derived from court costs and appropriations from the City's General Fund. However, the City cannot significantly influence operations nor does it have responsibility for fiscal management.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fund Financial Statements

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

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

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The major funds of the City are described below:

Governmental Funds –

General Fund

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

Special Revenue Fund –

Sales Tax Fund

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proprietary Funds -

The City reports the following major enterprise fund:

Utility Fund

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

Other Fund Types -

The City also reports the following fund types:

Internal Service Funds

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

## CITY OF KAPLAN, LOUISIANA

### Notes to Basic Financial Statements (Continued)

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

#### Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

#### Program revenues

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Allocation of indirect expenses

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

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

Cash, interest-bearing deposits, and investments

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

Investments

Under state law, the City may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Interfund receivables and payables

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$490,781 at June 30, 2014. Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Capital Assets

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

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Compensated Absences

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

Restricted Assets

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

Long-term debt

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has no deferred inflows of resources.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Equity Classification

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

*Unassigned* – amounts that are available for any purpose; these amounts can be reported only in the City’s General Fund.

As of June 30, 2014, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Other Governmental Funds</u>
Restricted:			
Other purposes	\$ -	\$ 789,344	\$ 213,484
Unassigned	<u>17,681</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 17,681</u>	<u>\$ 789,344</u>	<u>\$ 213,484</u>

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interfund Transfers

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

F. Revenue Restrictions

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

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

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

G. Use of Estimates

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

(2) Ad Valorem Taxes

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

For the years ended June 30, 2014, taxes of 10.31 mills were levied on property with assessed valuations totaling \$18,786,420 and were dedicated as follows:

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

Total taxes levied at June 30, 2014 were \$193,688. There were no ad valorem taxes receivable at June 30, 2014.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Proceeds of the one percent sales and use tax levied by the City (2014 collections \$616,443) are dedicated to the following purposes:

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

(4) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The City may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. At June 30, 2014, the City has cash and interest-bearing deposits (book balances) totaling \$4,567,712 as follows:

Demand deposits	\$ 1,073,033
Savings and certificates of deposits	<u>3,494,679</u>
Total	<u>\$ 4,567,712</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2014, are as follows:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Bank balances \$ 4,854,254

At June 30, 2014 the deposits are secured as follows:

Federal deposit insurance	1,432,696
Uninsured and collateral held by the pledging bank, not in the City's name	<u>3,421,559</u>
Total	<u>\$ 4,854,254</u>

(5) Receivables

Receivables at June 30, 2014 of \$1,140,069 consist of the following:

	Governmental Activities	Business Type Activities	Total
Accounts	\$ -	\$ 519,401	\$ 519,401
Unbilled revenue	-	439,243	439,243
Accrued interest	3,011	2,904	5,915
Other	<u>171,804</u>	<u>3,706</u>	<u>175,510</u>
Totals	<u>\$ 174,815</u>	<u>\$ 965,254</u>	<u>\$ 1,140,069</u>

Allowance for uncollectible accounts in the business type activities was \$490,781 for 2014 and \$482,138 for 2013. The aging of the Accounts Receivable is as follows:

Current	\$ 503,536
31 - 60 days	7,924
60 - 90 days	2,832
Over 90 days	495,890
Less allowances for uncollectible accounts	<u>(490,781)</u>
Total	<u>\$ 519,401</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Due from Other Governmental Units

Amounts due from other governmental units consisted of the following at June 30, 2014:

Amount due from Kaplan City Court for fines collected	\$ 1,832
Amount due from the State of Louisiana for grants	19,961
Amount due from the State of Louisiana Department of Transportation	2,500
Amount due from the State of Louisiana Department of Revenue for Beer Taxes	2,839
Amount due from the Vermilion Parish School Board for sales taxes	<u>108,947</u>
	<u>\$ 136,079</u>

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

Restricted assets were applicable to the following at June 30, 2014:

Customers' deposits	\$ 354,580
Bond sinking fund account	10,620
Bond reserve fund	172,252
Bond renewal and replacement fund	<u>51,705</u>
Total restricted assets	<u>\$ 589,157</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 07/01/13	Additions	Deletions	Balance 06/30/14
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Construction in progress	172,602	-	172,602	-
Other capital assets:				
Buildings	2,159,551	806,763	-	2,966,314
Infrastructure	10,656,624	-	-	10,656,624
Equipment, furniture and fixtures	2,358,255	94,199	119,700	2,332,754
Totals	<u>15,461,579</u>	<u>900,962</u>	<u>292,302</u>	<u>16,070,239</u>
Less accumulated depreciation				
Buildings	755,541	60,416	-	815,957
Infrastructure	5,406,381	60,328	-	5,466,709
Equipment, furniture and fixtures	1,803,122	144,819	70,800	1,877,141
Total accumulated depreciation	<u>7,965,044</u>	<u>265,563</u>	<u>70,800</u>	<u>8,159,807</u>
Governmental activities, capital assets, net	<u>\$ 7,496,535</u>	<u>\$ 635,399</u>	<u>\$ 221,502</u>	<u>\$ 7,910,432</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Other capital assets:				
Buildings and systems	22,454,632	11,294	-	22,465,926
Machinery and equipment	706,402	24,926	-	731,328
Automobiles	240,502	26,064	-	266,566
Total other capital assets	<u>23,580,845</u>	<u>62,284</u>	<u>-</u>	<u>23,643,129</u>
Less accumulated depreciation				
Buildings and systems	10,636,618	522,788	-	11,159,406
Machinery and equipment	490,821	30,152	-	520,973
Automobiles	125,324	20,964	-	146,288
Total accumulated depreciation	<u>11,252,763</u>	<u>573,904</u>	<u>-</u>	<u>11,826,667</u>
Business-type activities, capital assets, net	<u>\$ 12,328,082</u>	<u>\$ (511,620)</u>	<u>\$ -</u>	<u>\$ 11,816,462</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 50,116
Police	57,834
Fire	91,847
Streets	52,097
Recreation	<u>13,669</u>
Total depreciation expense	<u>\$265,563</u>

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

Electric	\$ 70,817
Gas	58,814
Water	135,431
Sewer	<u>308,842</u>
Total depreciation expense	<u>\$573,904</u>

(9) Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 42,856	\$ 316,506	\$ 359,362
Contracts payable	28,675	-	28,675
Salaries payable	35,803	9,474	45,277
Claims in process	<u>212,576</u>	<u>-</u>	<u>212,576</u>
Totals	<u>\$ 319,910</u>	<u>\$ 325,980</u>	<u>\$ 645,890</u>

(10) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Long-term bonds payable, July 1, 2013	\$ 410,000	\$ 1,705,000	\$ 2,115,000
Additions	-	-	-
Reductions	<u>(81,000)</u>	<u>(106,000)</u>	<u>(187,000)</u>
Long-term bonds payable, June 30, 2014	<u>\$ 329,000</u>	<u>\$ 1,599,000</u>	<u>\$ 1,928,000</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Bonds payable at June 30, 2014, are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$367,000 General Obligation Refunding Bonds, Series 2005, due in annual installments of \$29,000 to \$46,000 through February 1, 2015; at interest rates of 2.40% to 4.30% (to be retired from the proceeds of ad valorem taxes)	\$ 46,000
\$550,000 General Obligation Bonds, Series 2005, for the purpose of resurfacing and improving city streets, due in annual installments of \$23,000 to \$53,000 through March 1, 2020; at an interest rate of 4.15% (to be retired from the proceeds of ad valorem taxes)	<u>283,000</u>
Total general obligation bonds	<u>\$ 329,000</u>

Revenue Bonds:

\$1,849,000 Utilities Revenue Refunding Bonds, Series 2011, due in annual installments of \$42,000 to \$160,000 through June 1, 2026; interest rate of 3.5% (to be retired from excess annual revenue)	<u>\$ 1,599,000</u>
--	---------------------

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2015	87,000	13,722	110,000	55,966	266,688
2016	44,000	10,043	113,000	52,116	219,159
2017	46,000	8,217	117,000	48,160	219,377
2018	48,000	6,308	122,000	44,066	220,374
2019	51,000	4,316	126,000	39,796	221,112
2020 - 2024	53,000	2,200	697,000	129,784	881,984
2025 - 2027	-	-	314,000	16,590	330,590
Totals	<u>\$ 329,000</u>	<u>\$ 44,806</u>	<u>\$ 1,599,000</u>	<u>\$ 386,478</u>	<u>\$ 2,359,284</u>

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is substantially in compliance with all such significant limitations and restrictions for the year ended June 30, 2014.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Compensated Absences

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. As of June 30, 2014, an accrual of \$24,352 for accumulated sick leave has been recorded. The total amount is attributable to the business-type activity.

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

Employees of the City earn paid time off, instead of overtime pay at a rate of time and a half which is based on the employee's hourly rate, up to a maximum of 240 hours. Employees separated due to resignation or termination are paid for the amount of accumulated paid time off they earned by that employee at separation. As of June 30, 2014, an accrual of \$20,445 for accumulated paid time off has been recorded. The amounts attributable to the governmental activities and business-type activities are \$9,126 and \$11,319, respectively.

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

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

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

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

All required transfers were made for the year ended June 30, 2014.

(13) Employee Retirement

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

A. Municipal Employees' Retirement System of Louisiana

Plan description: The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the City are not eligible for membership in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Funding policy: Plan members are required to contribute 5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 8.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2014, 2013, and 2012, were \$82,147, \$80,380, and \$79,840, respectively equal to the required contributions for each year.

B. Municipal Police Employees' Retirement System

Plan description: The Municipal Police Employees' Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Police Employees' Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana 70809-7017.

Funding policy: Plan members are required to contribute between 7.5% and 10% of their annual covered salary dependent upon earnable compensation and the City is required to contribute between 31% and 33.5% of annual covered salary dependent upon earnable compensation as established by State statute. The City's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$4,382, \$14,819, and \$15,500, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System

Plan description: The Firefighters' Retirement System (the System) is a cost-sharing multiple-employer public retirement system (PERS), as established and provided for by R.S. 11:2251 through 2269 of the Louisiana Revised Statutes (LRS).

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Membership is mandatory as a condition of employment beginning on date employed if the employee is on a permanent basis as a firefighter, not participating in another public funded retirement system and under age fifty (50) at date of employment. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Firefighters' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095 Capitol Station, Baton Rouge, Louisiana 70804-9095.

Funding policy: Plan members are required to contribute between 8% and 10% of their annual covered salary dependent upon earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is between 28.25% and 30.25% of annual covered payroll dependent upon earnable compensation. The contribution requirements of Plan members are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$48,363, \$38,621, and \$35,351, respectively, equal to the required contributions for each year.

D. Louisiana State Employees' Retirement System

Plan description: The Louisiana State Employees' Retirement System (the System) is a single-employer public employee retirement system established under the provisions of Title II, Section 401, of the Louisiana Revised Statutes of 1991, controlled and administered by a separate board of trustees.

All State permanent employees are mandated by State Law to participate in the System and all elected or appointed officials are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 2-1/2% of their average annual compensation for every year of service plus \$300. Average compensation is the employee's monthly earnings during the 36 consecutive months that produce the highest average. Employees who terminate with at least the amount of creditable service stated previously and who 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.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213.

Funding policy: Plan members (judges) are required to contribute 11.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 36.3% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$4,755, \$6,428, and \$6,758, respectively, equal to the required contributions for each year.

(14) Litigation and Claims

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

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

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

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

(15) Leases

A. Operating leases

The City is engaged in various operating leases for the use of machinery and equipment. Total expenditures for these leases totaled \$14,122 for the year ended June 30, 2014. The future minimum payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 4,170

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Capital Lease

In October 2008, the City entered into a lease agreement for the financing of an asphalt paver. In November 2010, the City entered into a lease agreement for the purchase of accounting software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 are as follows:

Year Ending June 30,

2015	\$ 30,690
Less: amount representing interest	<u>(815)</u>
Present value of minimum lease payments	<u>\$ 29,875</u>

(16) Compensation of City Officials

A detail of compensation paid to the Mayor and City Council for the year ended June 30, 2014, follows:

Kirk Champagne , Mayor	\$ 31,200
City Council:	
Herbert Gaspard, Jr.	4,200
Eva Dell Morrison	4,200
Gerard Jerry Touchet	4,200
Brent Dubois	4,200
Kevin Guidry	<u>4,200</u>
Total	<u>\$ 52,200</u>

(17) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$35,000 per individual per year of coverage provided by the program.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

During the fiscal year 1991, the City adopted the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. As required by the standard, a reconciliation of claims liabilities is shown below. All funds of the City participate in the program and make payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. For the year ended June 30, 2014, the claims liability of \$212,576 was reported in the Group Insurance Fund. The claims liability is based on the requirements of GASB Statement No. 10, which are that a liability for claims be reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Reconciliation of Claims Liabilities

Unpaid claims at July 1, 2013	\$ 32,947
Claims incurred	634,663
Claims payments	<u>(455,034)</u>
Unpaid claims at June 30, 2014	<u>\$ 212,576</u>

Claims payable of \$74,932 at June 30, 2014 was determined as follows:

A. Claims incurred prior to June 30, 2014 and paid in July, 2014 and August, 2014	\$ 188,576
B. Claims incurred prior to June 30, 2014 and pending at June 30, 2014	-
C. Provision for claims incurred but not reported	<u>24,000</u>
Total claims payable	<u>\$ 212,576</u>

The provision for claims incurred but not reported of \$24,000 was calculated utilizing historical information adjusted for current trends.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(18) Interfund Transactions

A. Interfund receivables and payables, by fund, at June 30, 2014 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds:		
General Fund	\$ 48,100	\$ 11,244
Sales Tax Fund	<u>100</u>	<u>25,000</u>
	<u>48,200</u>	<u>36,244</u>
Nonmajor funds:		
Fire Protection Fund	3,244	-
Police Special Fund	-	500
Capital Projects Fund	<u>-</u>	<u>100</u>
	<u>3,244</u>	<u>600</u>
Total governmental funds	<u>\$ 51,444</u>	<u>\$ 36,844</u>
Proprietary funds:		
Enterprise fund	8,400	-
Internal service fund	<u>-</u>	<u>23,000</u>
Total proprietary funds	<u>8,400</u>	<u>23,000</u>
Total	<u>\$ 59,844</u>	<u>\$ 59,844</u>

The amounts due from the General Fund to various other funds are for reimbursements owed for expenditures paid for those funds.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Transfers consisted of the following at June 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General Fund	\$ 1,942,959	\$ -
Sales Tax Fund	-	213,898
	<u>1,942,959</u>	<u>213,898</u>
Nonmajor funds:		
Capital Projects Fund	-	11,000
Total governmental funds	<u>1,942,959</u>	<u>224,898</u>
Proprietary funds:		
Enterprise fund	224,898	1,944,154
Internal service fund	1,195	-
Total proprietary funds	<u>226,093</u>	<u>1,944,154</u>
Total	<u>\$ 2,169,052</u>	<u>\$ 2,169,052</u>

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

(19) On-behalf Payments

The City has recognized \$82,000 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

(20) New Accounting Pronouncements

During the fiscal year ended June 30, 2014, the City adopted GASB 65, *Items Previously Reported as Assets and Liabilities*. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements that meet the criteria established by this standard. The provisions of GASB Statement No. 68 must be implemented by the City for the year ending June 30, 2015. The effect of implementation on the City's financial statements has not yet been determined.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(21) Subsequent Events

The City evaluated subsequent events through November 5, 2014, the date which the financial statements were available to be issued.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 80,300	\$ 80,300	\$ 78,745	\$ (1,555)
Licenses and permits	185,000	185,000	227,089	42,089
Intergovernmental	319,450	319,450	402,072	82,622
Fines and forfeitures	25,000	25,000	24,240	(760)
Miscellaneous	50,000	50,000	30,833	(19,167)
Total revenues	<u>659,750</u>	<u>659,750</u>	<u>762,979</u>	<u>103,229</u>
<b>Expenditures:</b>				
Current -				
General government	695,900	695,900	678,238	17,662
Public safety:				
Police	832,500	832,500	910,824	(78,324)
Fire	240,500	240,500	252,380	(11,880)
Streets, bridges, and drainage	438,700	438,700	409,341	29,359
Culture and recreation	37,150	37,150	30,358	6,792
Capital outlay	300,000	465,000	492,892	(27,892)
Total expenditures	<u>2,544,750</u>	<u>2,709,750</u>	<u>2,774,033</u>	<u>(64,283)</u>
Deficiency of revenues over expenditures	(1,885,000)	(2,050,000)	(2,011,054)	38,946
<b>Other financing sources:</b>				
Transfers in	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,942,959</u>	<u>92,959</u>
Net change in fund balance	(35,000)	(200,000)	(68,095)	131,905
Fund balance, beginning	<u>85,776</u>	<u>85,776</u>	<u>85,776</u>	<u>-</u>
Fund balance, ending	<u>\$ 50,776</u>	<u>\$ (114,224)</u>	<u>\$ 17,681</u>	<u>\$ 131,905</u>

CITY OF KAPLAN, LOUISIANA  
Special Revenue Fund  
Sales Tax Fund

Budgetary Comparison Schedule  
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 615,000	\$ 615,000	\$ 616,443	\$ 1,443
Interest income	3,500	3,500	2,601	(899)
Total revenues	<u>618,500</u>	<u>618,500</u>	<u>619,044</u>	<u>544</u>
Expenditures:				
Current -				
General government	105,000	120,850	233,378	(112,528)
Capital outlay	238,500	326,500	176,018	150,482
Debt Service -				
Principal retirement	-	-	30,712	(30,712)
Interest Expense	-	-	2,012	(2,012)
Total expenditures	<u>343,500</u>	<u>447,350</u>	<u>442,120</u>	<u>5,230</u>
Excess of revenues over expenditures	275,000	171,150	176,924	5,774
Other financing uses:				
Transfers out	<u>(275,000)</u>	<u>(215,000)</u>	<u>(213,898)</u>	<u>1,102</u>
Net change in fund balance	-	(43,850)	(36,974)	6,876
Fund balances, beginning	<u>826,318</u>	<u>826,318</u>	<u>826,318</u>	<u>-</u>
Fund balances, ending	<u>\$ 826,318</u>	<u>\$ 782,468</u>	<u>\$ 789,344</u>	<u>\$ 6,876</u>

CITY OF KAPLAN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

At June 30, 2014, the General Fund reported excess expenditures over appropriations.

**OTHER SUPPLEMENTARY INFORMATION**

**OTHER FINANCIAL INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

## **NONMAJOR SPECIAL REVENUE FUNDS**

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

### **Parish Fire Protection Fund -**

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

### **Police Special Fund -**

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

### **Youth Athletic Fund -**

To account for the collection and disbursement of the City's share of proceeds from taxes collected by the Vermilion Parish Tourist Commission. Money is to be used to fund recreation programs for youth in Vermilion Parish.

## **NONMAJOR DEBT SERVICE FUNDS**

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

### **General Obligation Refunding Bonds, Series 2005 and General Obligation Bonds, Series 2005**

To accumulate monies for the General Obligation Bonds, Series 2005 A & B issued in the amounts of \$550,000 and \$367,000, respectively. Debt service is financed by specifically dedicated ad valorem tax levies.

## **NONMAJOR CAPITAL PROJECTS FUND**

### **LCDBG Sewerage System Rehabilitation Fund**

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

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Balance Sheet  
June 30, 2014

	<u>Special Revenue</u>			<u>Debt Service</u>		
	Fire	Police	Youth	General	Capital	
	Protection	Special	Athletic	Obligation	Projects	
	Fund	Fund	Fund	Refunding	Fund	Totals
				Bonds		
				Series 2005		
				Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,559	\$24,693	\$ -	\$ 179,434	\$ 100	\$ 211,786
Due from other governmental entities	-	275	-	-	-	275
Due from other funds	3,244	-	-	-	-	3,244
Accrued interest receivable	87	-	-	10	-	97
Total assets	<u>\$ 10,890</u>	<u>\$24,968</u>	<u>\$ -</u>	<u>\$ 179,444</u>	<u>\$ 100</u>	<u>\$ 215,402</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1,318	\$ -	\$ -	\$ -	\$ -	\$ 1,318
Due to other funds	-	500	-	-	100	600
Total liabilities	1,318	500	-	-	100	1,918
Fund balances:						
Restricted	9,572	24,468	-	179,444	-	213,484
Total liabilities and fund balances	<u>\$ 10,890</u>	<u>\$24,968</u>	<u>\$ -</u>	<u>\$ 179,444</u>	<u>\$ 100</u>	<u>\$ 215,402</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2014

	Special Revenue			Debt Service	Capital Projects Fund	Totals
	Fire Protection Fund	Police Special Fund	Youth Athletic Fund	General Obligation Refunding Bonds Series 2005 Fund		
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$114,054	\$ -	\$ 114,054
Intergovernmental	65,746	10,440	-	-	14,016	90,202
Fines	-	3,946	-	-	-	3,946
Interest income	731	-	-	151	-	882
Total revenues	<u>66,477</u>	<u>14,386</u>	<u>-</u>	<u>114,205</u>	<u>14,016</u>	<u>209,084</u>
Expenditures:						
General government	-	-	-	-	3,016	3,016
Public safety -						
Police	-	3,348	-	-	-	3,348
Fire	54,880	-	-	-	-	54,880
Culture and recreation	-	-	2,029	-	-	2,029
Capital outlay	49,010	10,440	-	-	-	59,450
Debt service -						
Principal retirement	-	-	-	81,000	-	81,000
Interest paid	-	-	-	17,106	-	17,106
Total expenditures	<u>103,890</u>	<u>13,788</u>	<u>2,029</u>	<u>98,106</u>	<u>3,016</u>	<u>220,829</u>
Excess (deficiency) of revenues over expenditures	(37,413)	598	(2,029)	16,099	11,000	(11,745)
Other financing uses:						
Transfers out	-	-	-	-	(11,000)	(11,000)
Net change in fund balances	(37,413)	598	(2,029)	16,099	-	(22,745)
Fund balances, beginning	<u>46,985</u>	<u>23,870</u>	<u>2,029</u>	<u>163,345</u>	<u>-</u>	<u>236,229</u>
Fund balances, ending	<u>\$ 9,572</u>	<u>\$ 24,468</u>	<u>\$ -</u>	<u>\$179,444</u>	<u>\$ -</u>	<u>\$ 213,484</u>

CITY OF KAPLAN, LOUISIANA  
Enterprise Fund  
Utility Fund

Schedule of Number of Utility Customers and Rates  
(Unaudited)  
June 30, 2014 and 2013

Records maintained by the City indicated the following number of customers were being serviced during the month of June 30, 2014 and 2013.

Department	2014	2013
Electric (metered)	2,398	2,376
Gas (metered)	1,666	1,677
Water (metered)	2,443	2,434
Sewerage	2,229	2,225

The monthly water rates of the City are as follows:

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

The monthly sewer rates of the City are as follows:

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

CITY OF KAPLAN, LOUISIANA  
Enterprise Fund  
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses  
Years Ended June 30, 2014 and 2013

	Electricity		Gas		Water		Sewerage		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Operating revenues:										
Customers service charges	<u>\$ 5,091,417</u>	<u>\$4,918,399</u>	<u>\$ 760,080</u>	<u>\$ 566,941</u>	<u>\$ 482,715</u>	<u>\$465,984</u>	<u>\$ 488,336</u>	<u>\$ 471,600</u>	<u>\$6,822,548</u>	<u>\$6,422,924</u>
Operating expenses:										
Salaries	234,708	229,746	107,038	114,210	106,501	100,867	86,800	121,434	535,047	566,257
Benefit payments:										
Payroll taxes	17,833	17,778	8,000	8,474	7,933	7,507	7,986	7,843	41,752	41,602
Retirement	19,664	18,355	9,045	8,901	6,909	6,054	7,211	7,541	42,829	40,851
Insurance - Employees	34,205	32,696	21,926	24,422	18,713	18,316	20,691	23,597	95,535	99,031
Insurance	47,698	47,866	33,201	30,580	24,853	24,094	21,015	25,198	126,767	127,738
Electricity and gas purchased	2,884,108	2,852,926	374,895	258,750	-	-	-	-	3,259,003	3,111,676
Operating supplies	9,577	19,447	14,864	25,182	43,731	50,489	23,869	27,518	92,041	122,636
Office supplies and expenses	11,043	10,475	2,457	1,738	1,810	1,942	609	2,428	15,919	16,583
Professional fees	-	445	1,750	6,459	11,959	7,664	17,794	15,794	31,503	30,362
Repairs and maintenance	16,194	70,100	101,480	20,380	55,891	97,285	-	131,447	173,565	319,212
Telephone and utilities	2,913	2,998	693	775	83,965	80,206	61,466	65,303	149,037	149,282
Bad debt expense	7,054	18,026	411	2,959	584	2,866	594	3,870	8,643	27,721
Depreciation	70,817	74,805	58,814	58,936	135,431	138,005	308,842	298,944	573,904	570,690
Miscellaneous	53,779	52,675	8,710	4,297	5,498	12,957	7,408	9,500	75,395	79,429
Total operating expenses	<u>3,409,593</u>	<u>3,448,338</u>	<u>743,284</u>	<u>566,063</u>	<u>503,778</u>	<u>548,252</u>	<u>564,285</u>	<u>740,417</u>	<u>5,220,940</u>	<u>5,303,070</u>
Net operating income (loss)	<u>\$ 1,681,824</u>	<u>\$1,470,061</u>	<u>\$ 16,796</u>	<u>\$ 878</u>	<u>\$ (21,063)</u>	<u>\$ (82,268)</u>	<u>\$ (75,949)</u>	<u>\$(268,817)</u>	<u>\$1,601,608</u>	<u>\$1,119,854</u>

**INTERNAL CONTROL, COMPLIANCE**

**AND**

**OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated November 5, 2014.

### Internal Control Over Financial Reporting

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2014-002 through 2014-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2014-004.

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

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

### **Purpose of this Report**

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

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

Abbeville, Louisiana  
November 5, 2014

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan  
Year Ended June 30, 2014

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

A. Internal Control Over Financial Reporting

2014-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Kirk Champagne, Mayor, will take measures to ensure that there is adequate segregation of functions within the accounting system.

2014-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

approving them and accepting responsibility for their contents and presentation.

2014-003 Policies and procedures for utility bills

Fiscal year finding initially occurred: 2013

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

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

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

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Kirk Champagne, Mayor, will ensure that a written policy be adopted which will establish guidelines that will be followed for all Utility Customers in regard to extensions, adjustments and disconnection of services made to utility accounts. As the Chief Administrator, the Mayor or his designee will have the authority to make decision regarding adjustments, extensions and disconnection of services.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

B. Compliance

2014-004 Bid Law noncompliance

Fiscal year finding initially occurred: 2014

CONDITION: The City purchased breathing apparatuses for \$49,000 and did not advertise for bids.

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

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

CAUSE: The City of Kaplan failed to advertise for bids for the purchase of \$49,000 of equipment prior to purchase.

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

RECOMMENDATION: Management should comply with the requirements of LSA RS 38:2212.1 by obtaining the required bids and maintaining the documentation for support to ensure compliance with the bid law.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Per Mr. Kirk Champagne, Mayor, quotes were obtained to get a general idea of what the total cost was going to be. Authorization was given to start the process to purchase. At the same time, the City had a change in position of Fire Chief and miscommunication between Administration and the new Chief on how this purchase was going to be conducted. As a result, the equipment was ordered and delivered and as such had to be paid for when invoice was submitted. Management has since made changes to purchasing policies which direct all Supervisors to submit requisitions with prices before any purchase orders are issued to prevent further violations of the bid law.

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2013-001 Inadequate Segregation of Functions

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

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

CURRENT STATUS: Unresolved. See item 2014-001.

2013-002 Application of Generally Accepted Accounting Principles (GAAP)

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

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

CURRENT STATUS: Unresolved. See item 2014-002.

2013-003 Policies and procedures for utility bills

CONDITION: During a test of utility accounts of elected officials, employees, and past due accounts, it was noted that late payment penalties are being assessed and adjusted off of accounts and cutoffs are not being performed consistently. It was noted that there is no formal adopted written policies and procedures regarding delinquent accounts and when adjustments to utility bills should be made.

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

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

CURRENT STATUS: Unresolved. See item 2014-003.

2013-004 Inadequate documentation and/or lack of supporting documentation

CONDITION: During test of disbursements, it was noted that there is not sufficient support for some meal purchases made on the City's credit card by the Mayor to substantiate the legal obligation, the public purpose, and public benefit of the expenditures.

RECOMMENDATION: Management needs to set written policies and procedures to address meal expenditures and to provide a clear understanding of what is sufficient appropriate support. It is recommended that the City credit card not be used for expenditures of meals. Best practices would be to have employees, including the Mayor, use a reimbursement request form to request reimbursement for actual expenses incurred for travel and meals on a periodic basis (biweekly, monthly, etc.) and only when proper supporting documentation is attached to each reimbursement form.

CURRENT STATUS: Resolved.

Compliance

2013-005 Bid Law noncompliance

CONDITION: Equipment in the amount of \$10,000 was purchased for the police department and quotes were not obtained prior to purchase.

RECOMMENDATION: Management should comply with the requirements of LSA RS 38:2212.1 by obtaining the required quotes and maintaining the documentation for support to ensure compliance with the bid law.

CURRENT STATUS: Unresolved. See item 2014-004.

2013-006 Use of City Credit Cards

CONDITION: During test of disbursements, it was noted that the City's credit cards were used for personal purchases by the Mayor. The City was reimbursed for all purchases noted.

RECOMMENDATION: Management needs to restrict the use of credit cards. We recommend that credit cards be kept at City Hall, in a locked safe, and when needed, the cards should be checked out. In addition, a

CITY OF KAPLAN, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
And Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2014

log should be maintained, indicating the person checking out the card, the date and purpose. Upon return of the credit card all receipts should be provided and later reconciled to the credit card statement. We also recommend that the credit cards be limited to such expenses as payment of registration for conferences and lodging associated with such conferences.

CURRENT STATUS: Resolved.